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# **THE ECONOMIC DEVELOPMENT OF AUSTRALIA**







# The Economic Development of Australia

BY

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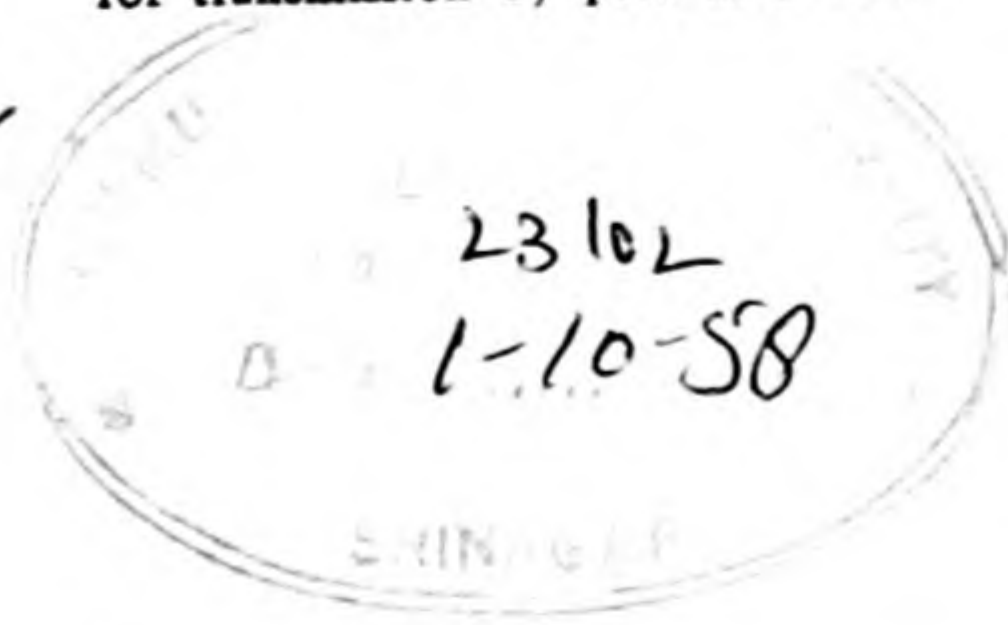
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## PREFACE

I have for long felt that a short account of Australian economic development would be useful to students, and I hope of some interest to the general public. This book is intended to supply such an account. It is not a work of original research. In particular, I have drawn heavily on the work of the late Professor E. O. G. Shann and of Mr. Brian Fitzpatrick; to both I owe a great debt, despite the fact that I have disagreed with them in many cases. I have given more emphasis than most of my predecessors to the events of the last fifty years; here I have used official documents as well as articles in contemporary periodicals. I have tried to keep footnotes to a minimum, and have only used them to cite evidence where there appeared to be differences of opinion, or to acknowledge a direct quotation.

I am particularly grateful to my colleagues, Mr. H. H. Burton and Miss P. McBride, for their help, encouragement, friendly criticism; to Miss Peggy Young for preparing the maps; to Messrs. R. D. Malcolmson and J. Barker for their help in reading the proofs and preparing an index; and to all those others, too numerous to mention by name, who have assisted me in making this book see the light of day.

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10/7/44

## PREFACE TO THIRD EDITION.

In this edition I have added two extra chapters to cover the developments of the war and post-war periods, and have at the same time slightly modified my conclusions, now incorporated in the last chapter, in the light of these events.

My researches on the transportation system, carried out for other purposes since 1950, have caused me to make certain changes of emphasis in chapters two and three. Otherwise the older part of the book is unaltered and the pagination remains the same until almost the end of chapter nineteen, but I have taken the opportunity to make some minor corrections to the map.

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August, 1954.



# PART I: DEPENDENT SETTLEMENTS

## CHAPTER I: BACKGROUND

'I have no doubt but that the country will hereafter prove a most valuable acquisition to Great Britain. Time will remove all difficulties, and with a few families who have been used to the cultivation of lands, the country will wear a more pleasing aspect.' Thus the first Governor of New South Wales, Captain Arthur Phillip, in despatches sent to the British Government in July, 1788, expressed his faith in the future of the colony of which he was in charge. Most of his colleagues disagreed. 'The soil is nought, and the colony never likely to answer the wishes and expectations of Government,' wrote the first chaplain, the Rev. Richard Johnson. 'Not one thing can be found that ever promises to be an object of commerce or worthy the attention of a commercial nation,' was the opinion of Captain James Campbell, of the marines, and he adds: 'I am fully convinced that the Nation would save money by feeding the convicts at home upon Venison and Claret—clothing them in Purple and Gold, rather than provide for them here the worst fare that can be thought of.' Poor soil, the lack of a good supply of water, and the difficulty of clearing the thickly wooded country gave some justification for complaint. 'The first impression made on a stranger is certainly favourable. He sees gently swelling hills, connected by vales which produce every beauty that verdure of trees, and form . . . can produce; but he looks in vain for those murmuring rills and refreshing streams, which fructify and embellish more happy lands.' This was very true, though the Lieutenant Governor, Major Ross, was too critical when he declared that 'in the whole world there is not a worse country than what we



have seen of this—very barren and forbidding'; his prediction that 'the country will not be able to maintain itself in one hundred years' proved, like so many others, completely false.<sup>1</sup>

In the end the faith of Phillip was justified; but one can understand the pessimism of his subordinates. They had arrived in a distant and unknown land where conditions were very different from what they had been used to. They quickly had to face three major problems—problems which have determined to a large extent the development of the whole Australian economy—water, vegetation, distance. The soil near the first settlement was poor. The trees—mainly eucalypts—were growing thickly and were very hard, so that clearing was expensive, and the timber, twisted and gnarled, was of little use for building. 'The rains were not what English cereals had been led, by generations of evolution, to expect'; within three years of settlement the colony suffered drought. Creeks and water-holes were uncertain and far apart; only on the Hawkesbury River, flowing into Broken Bay twenty miles north of Sydney, did there seem to be good well-watered alluvial soil; but the Hawkesbury was very liable to flood. The attempt to reproduce in Australia the conditions of Great Britain, or to establish a community of more or less self-sufficient peasant farmers, dependent upon growing cereals, would prove a failure. Success would come; but the success would be of a type undreamed of either by Governor Phillip or his more pessimistic subordinates.

At first the newly established colony was confined to a narrow coastal area, with poor soil and rugged terrain. The great chain of mountains which rises parallel to the east coast of Australia blocked progress inland. Not for nearly thirty years was a way across them found. Then rich, rolling grasslands opened before the settlers, which might have won greater praise from the officers of the 'first fleet,' could they have seen them. Even so, the settlement at Sydney was in one of the most favourable parts of the continent.

<sup>1</sup> These quotations are from G. Mackaness: *Admiral Arthur Phillip*, pp. 165, 280 and 361.



Though the soil was poor, the climate was temperate, and the rainfall good. What would the officers have said of the great central deserts?

For much of Australia is desert. Whether land can be cultivated depends on soil and rainfall. The latter must be sufficiently heavy, reliable and appropriately distributed throughout the year. Where the climate is hot there will be much evaporation, so that more rain is required. Over one-third of Australia the rainfall is only sufficient to support desert vegetation. Over another two-fifths of the continent the growing period is less than four months, which is not sufficient for agriculture, so the land can only be used for sparse sheep or cattle grazing. Only over a quarter of Australia is the rainfall sufficiently heavy and spread sufficiently throughout the year to permit agriculture, and nearly a quarter of this wet area is rugged and mountainous. Moreover, the rainfall is not reliable. Over half of Australia the rainfall is likely to vary by as much as thirty per cent from normal; in most of the wheat-lands rainfall may be expected to vary from year to year by as much as twenty to twenty-five per cent from normal, so that bad seasons due to drought are common.

Along the eastern and south-eastern coasts of Queensland, New South Wales and Victoria the rainfall is heavy and reliable; but much of the soil here is poor, and the coastal plains are narrow and hemmed in by the mountains known as the 'Great Divide' stretching the entire length of the continent. Over the mountains lies the most fertile part of the continent—the wheat belt and good sheep grazing country. Even so, to 'call it the pasture and granary of Australia is too smug. It is itself first, and these things afterwards, by persuasion and coercion. If it gives great wealth, it wipes it out again just as casually. If its virgin richness was laid open to man, pests flourished in it equally.'<sup>2</sup> It is not parched, but it is dry; it has rain, but it is liable to drought; it is fertile, but much of it was heavily timbered, especially in the more

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<sup>2</sup> M. Barnard Eldershaw: *My Australia*, p. 134.



fertile areas; so that even here cultivation is hard, and life something of a gamble. To-day much of this area is suffering from soil erosion and sand—the product of overstocking, excessive cultivation and clearing; as in the United States ‘dust bowl,’ modern Australians are paying for the greed and lack of foresight of their forefathers.

Further inland the land is less productive, as the rainfall becomes lighter and less reliable. The Darling basin in western New South Wales is flat and poorly watered, and alternates irregularly in good and bad seasons from bareness to good grass. Only large properties can survive, but with the help of water from the great artesian basin, which, though generally too salt for irrigation, is usually fit for stock, sheep grazing is profitable—about fifty merino sheep to the square mile compared with three or four hundred further east. In western Queensland carrying capacity is even lower—less than twenty-five to the square mile. This country is used more for cattle, especially in the north and on the Barkly Tableland, on the border of Northern Territory.

Further west, beyond the boundaries of Queensland and New South Wales, beyond the area of the artesian basin, is the desert—hot, sandy, waterless. The only vegetation is spinifex or mulga, drought-resisting plants, but of little value to man or beast.<sup>3</sup> Apart from army and air-force camps, the only sign of civilisation is the north-south road and telegraph line, and the railway terminus at Alice Springs, in Central Australia, where underground water provides a small island of fertility—unlike the lakes, which are for the most part dry salt beds. Then nothing but the desert stretching to the western coast.

To the north the desert is bordered by the tropics, and watered by the monsoon. But even here the long dry winter with its great heat prevents successful cultivation; cattle are carried, but, owing to the dry season, only about five to the square mile. Around Port Darwin, on the Northern

<sup>3</sup> Cattle will eat spinifex if they are starving; but that does not mean that they like it, or that it is good for them.



coast, irrigation would make some agriculture possible; the soil is fair, and there is water in the rivers; but the difficulties of labour, of heat, and above all of marketing remain insurmountable in peace-time.

South-west of the desert lie first the grazing lands, and then the wheat-belt of Western Australia. But in the west too there have been the problems of an unreliable rainfall and the heavy costs of clearing the hard-wood forests. Along the south coast is the Nullarbor Plain, dry and treeless; not until the south-east of South Australia is there more fertility, where good soil and rain mark the beginning of the wheat-belt, which running further east merges with that of Victoria and New South Wales, lying behind the Great Divide.

These facts of climate and topography have largely conditioned Australian settlement. Man has been struggling against two things—too little water and too much distance. Inadequate and unreliable rainfall have drawn the boundaries of settlement. Water-holes have been all-important, and the light carrying capacity scattered the settlers, for large holdings were inevitable.

This made still more acute the problem of distance. Transport and communications were lacking. In the early days there were no railways and no roads, not even navigable rivers; only the Murray in New South Wales, rising in the snow-clad Australian Alps, had a reliable flow, but not to the coast of New South Wales, for it went in the wrong direction! The railway had to cross the mountains—in both New South Wales and Queensland a difficult problem. Wool-growing needs less transport than arable crops; and the transport costs are lower for wool in proportion to its bulk than for grains. It can be carried long distances by bullock-waggon, whereas not till the railway came could wheat be carried economically to the coast. For more than half a century the pastoralist was supreme. He was helped by the great market for wool which was created by the industrial development of Great Britain and Europe. With an assured and expanding market for his product, his activities



brought great wealth to the country and to himself, but by overstocking his land, by ruthless clearing and ring-barking of timber, he helped to create the erosion problem of to-day.

If the environment was favourable to the big pastoralist rather than the small farmer, it helped to increase the population in another way. Australia is not unduly rich in minerals; but in the mid-nineteenth century gold discoveries in Victoria, and to a less extent in New South Wales, and later in Queensland, attracted immigrants. The gold fields were well situated; easily accessible and near fertile country. They could be quickly exploited, and when the surface metal had been gathered, ex-diggers could fairly readily migrate to the towns, or, in Victoria at least, begin farming in those districts where the railway reached. New South Wales suffered in the gold rush days; but she had a more enduring source of wealth in her coal fields, outcropping on the coast both north and south of Sydney. South Australia had neither coal nor gold, and not for sixty years was her iron exploited; but her wheat lands were accessible; if only one-twelfth of the colony received fourteen inches of rain a year, this twelfth was in the plains behind Adelaide, the capital, and first settlement on Spencer Gulf. South Australia quickly became the granary of Australia.

Great distances and lack of water—these were the great problems Australia had to face. How was she best to use her resources in the face of these difficulties? How could they be overcome? The history of Australia can be written as the struggle to conquer these obstacles; and it must be remembered that the resources of the country, contrary to popular belief (and politicians' slogans), are *not* great. Australia is a big country; but size is a handicap rather than a help.

How has this struggle for development taken place? First, individual initiative did what it could to overcome distance and drought—by developing in the pastoral industry an occupation suited to local conditions. Next, governments tackled the harder tasks that private 'enterprise' had been too nervous, too petty or too greedy to undertake—railway



building and irrigation. Though not always successful, these schemes of public development have opened up the country and increased the population. The Murray and the Murrumbidgee and their tributaries in Victoria and New South Wales have been dammed, and their waters supplied to many settlers. In the late nineteenth century in western Queensland and New South Wales were found underground artesian waters, which increased carrying capacity and made it possible to use for the first time large tracts of what are now the best pastoral lands of the continent, besides making easier the transport of stock.

But neither Government nor private enterprise could turn the desert into gold (except at perhaps Marble Bar, in Western Australia); and much of Australia necessarily remains desert to-day. Australian life must remain packed into the eastern states, the east of South Australia and the southwest of Western Australia. The vast empty spaces are vast and empty because of Nature, the quality of the soils and the climate. During a little over a century and a half most of the more fertile parts of the continent have been cultivated; not only have major staples been produced, but in recent years minor crops have been encouraged and industry has expanded. To-day Australia is an urban country rather than a rural one; perhaps just as well if the scientist's threat against wool be realised. The problem facing Australia now, as in the past, is how best to use her resources. These are not vast and unlimited; their exploitation has been difficult; their misuse often severely punished. There is certainly no large area of Australia still waiting to be brought into pastoral or agricultural use, though it may well be possible to intensify production in some districts which are already settled. This will largely depend on markets, and the prices of primary products. But in the future, as in the past, development must be guided by natural conditions; to ignore them is to court failure, which will make necessary a retreat—just as it did when the wheat lands of South Australia were advanced too far sixty years ago, or those of Victoria and Western Australia fifteen years ago. 'Take what you like,'



said God, according to an old Spanish proverb, 'take it, but pay for it.' In many parts of Australia much has been taken, but the price has been high—too high. There is a difference between what it is physically possible and what it is economical to produce. Settlement must be guided by economics; for what is taken must be paid for, if not in blood and tears, at least in toil and sweat. Herein geography limits and controls settlement.

#### READING:

S. M. Wadham and G. L. Wood: *Land Utilization in Australia*, chs. 2 and 3.

The *Annals of the American Academy of Political and Social Science*, Nov., 1931: "An Economic Survey of Australia," pp. 1-9, 31-66.

*Cambridge History of British Empire*, vol. vii, ch. 1.

## CHAPTER II: BEGINNINGS

In January, 1788, there began at Port Jackson the first permanent settlement in Australia. No imperialist sentiment, no vision of the future, either of Australia or of the British Empire, was the motive for the settlement; simply the desire to rid England of some of her surplus convicts. 'A plan has been formed for transporting a number of convicts, in order to remove the inconvenience which arose from the crowded state of the gaols,' announced George III to Parliament.

The expedition, under the command of Captain Arthur Phillip, R.N., left England in May, 1787. It consisted of the frigate *Sirius*, six transports, three storeships and a tender. On board, besides marines and officials and their servants, were 757 convicts, some with families.

Admittedly many of the convicts seemed to have been sentenced for comparatively minor offences—especially in the early days of the settlement. But often their real crimes were not those that appeared on the charge-sheet. When larceny over 5s. from a dwelling house was a capital offence, merciful juries would sometimes undervalue the goods said to have been stolen, as in the case, for example, of the later famous Simeon Lord, convicted in 1797 of stealing and carrying



away by force 21 pieces of cloth, namely 100 yards of muslin and 100 yards of calico—all of which was valued at only 10d, which relieved him from any risk of execution. Nor was it necessary to prosecute for more than one offence, when the penalty was transportation in any case. We know that the sentences of many minor offenders were commuted if the convict had no evil reputation; and we know, that since even by 1788 executions were rarely carried out, the bulk of the major offenders were sent to Australia, for there was nowhere else to send them at a time when jails were largely for debtors and for those awaiting trial.<sup>1</sup> Though two shiploads of Irish rebels were sent out in 1798, political prisoners as a whole were few, despite their notoriety, like the Scottish martyrs, or even Surgeon Redfern from the navy at the Nore. Poachers were almost non-existent. As Sir Keith Hancock has written:

'an examination of the records of transportation at any period between 1790 and 1840 would show that spirited poachers and political prisoners and even picturesque intelligent villains were but a small leaven in the lump, which was wretched, listless and forlorn. The . . . typical transported convict (was) . . . not the countryman who snared rabbits but the Londoner who stole spoons.'<sup>2</sup>

They had been, in a large part at least, failures in England. As convicts they would be unwilling workers in the new settlement. Many were sick. On the voyage out and during the first six months of settlement 68 convicts and 13 of their children died. By 1790, before the second fleet arrived, nearly a quarter had perished.

During these two years the colony was on very short rations—only 2½ lb. of flour, 2 lb. of pork, 1 pint of peas and 1 lb. of rice per head weekly in the period just before the second fleet arrived in 1790; and naturally 'very little labour could be expected from men who had nothing to eat.'

The second fleet brought sorely needed supplies. But it brought more convicts as well, many of whom were totally

<sup>1</sup> These conclusions are based on my study of convict records in England and Ireland in 1950 and 1951.

<sup>2</sup> W. K. Hancock: *Australia* (Benn, 1945), p. 34.



unfit for work. There were 222 women 'loaded with the infirmities incident to old age,' and 'never likely to be other than a burden to the settlement.' There were also 486 sick.

Such was the main body of Captain Phillip's settlers. The British Government hoped that this community might soon become self-supporting, and Phillip was instructed to grant land to time-expired convicts, discharged soldiers and free settlers. By 1792 he had granted about 7,000<sup>3</sup> acres to 177 farmers; about two-thirds of these were ex-convicts, and nearly all the remainder were officers, for, despite Phillip's frequent requests for free settlers, only seven men, two women, and four children had come freely to the colony.

But it was one thing to establish small farmers, and another to keep them. Many of the expirees only wished to raise enough money to pay their return passage. Their stock was liable to depredations from soldier and convict alike. The way of the small settler was hard.

Consequently Phillip had to organise 'public farming.' Again labour was a problem; for the convicts were not willing workers, and the marines regarded it as beneath their dignity to supervise them, 'except when they were employed for their own particular service.' They were handicapped by bad tools and lack of any agricultural training or experience. Near Sydney the land was poor, and heavy clearing work was necessary. Even as herdsmen the convicts failed—they allowed both cattle and sheep to wander and get lost or killed.

But if Phillip could not get the free settlers which appeared to him 'absolutely necessary,' he did obtain permission from England to grant land to the military officers of the colony, and to assign convicts to work for them. The officer would be likely to be a better farmer than the ex-convict; he would have capital, and he could cultivate a large holding. Such a farmer would not easily fit into the British Government's idea of a 'peasant-community,' and so there arose an antagonism between the officer-capitalist-farmers on the one hand and

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<sup>3</sup> This is Fitzpatrick's figure, which I accept in preference to the smaller amount stated by Coghlan and repeated by Shann.



the ex-convict and free settlers on the other—destined to be the cause of much bitter strife.

Unfortunately, at the time when this problem first arose, Phillip had left New South Wales, and the colony was being administered by Major Francis Grose, of the New South Wales Corps—a man singularly ill-suited for his task, who allowed himself to be governed by his fellow-officers. Under Grose and his successor, Paterson, the officers of New South Wales Corps had a free hand.

This Corps had been raised especially for service in New South Wales. It was not noticeably different in composition from other British regiments, and its evil reputation has been commonly exaggerated by its opponents. However, having few military duties to perform, the officers were able to turn their attention to trade and farming. They could get convict servants to help them and often had a little farming skill. Moreover they always had more capital than others in the colony, so that as the wife of the most famous of them—John Macarthur—wrote: 'with a few others possessed of money and credit in England, they united together and purchased the cargoes of such vessels as repair to this country from various quarters. Two or more are chosen from their number to bargain for the cargo offered for sale, which is then divided among them in proportion to the amount of their subscriptions.'<sup>4</sup> The officers thus monopolised all the stores of the colony, particularly rum, which became 'a much appreciated relief from store rations,' as well as a medium of exchange, in the absence of enough proper currency. Profits were high, but then so was the risk in the days of a long voyage by sailing ship; and sometimes, as in England, they would pay their servants in kind, 'by truck,' for there was little money in the colony and its economy was largely carried on by barter.

The labour problem became even more acute when transportation and emigration stopped after 1793, owing to the French Revolutionary war. Only in 1801 did a substantial number of convicts arrive—probably the result of the

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<sup>4</sup> *Early Records of the Macarthurs of Camden*; quoted, E. O. G. Shann: *Economic History of Australia*, p. 24.



'famine' years of 1799 and 1800 in England, when food prices there soared and misery was at its worst, causing riots and breaches of the peace, and the subsequent transportation of the culprits. A few free settlers came out in the following years for the same basic reason—owing to bad conditions at home; but during the 'nineties free settlers had been few. Of them Governor King wrote, in 1802: 'I am sorry their industry and exertions by no means answer the professions they made in England, several of whom are so useless to themselves and everyone about them that they are not only a burden to the public, but a very bad example to the industrious. . . . They are maintained by the Crown for eighteen months, and have the labour of two convicts, which is sufficient to provide against the time of doing for themselves, but that period too often discovers their idleness and incapacity.'<sup>5</sup>

The poor quality of the free settlers and their lack of farming knowledge and equipment made the governors' task of increasing the food supply a hard one. Hunter (1795-1800) tried to assist the settlers, and to revive public farming, but without success. What development there had been in the colony—and by 1800 there were 8,000 acres under cultivation, compared with only 3,000 acres in 1795—was mainly due to the exertions of the officers cultivating farms—moved by the 'acquisitive' spirit. Governor King feared that these exertions might be checked by the restraints he laid on their monopolistic trading; but on the other hand these restraints were necessary to help the small settler—particularly the ex-convict. 'It is notorious,' wrote King, 'that since 1792 the utmost licentiousness has prevailed among this class, although they have used the most laborious exertions in clearing land of timber; but unfortunately the produce went to a few monopolising traders, who had their agents in every corner of the settlement, not failing to ruin those they had marked for their prey by the baneful lure of spirits. So wretched has been this class that previous to Governor Hunter's giving up the command forty-seven settlers had assigned their growing crops to satisfy their rapacious credi-

<sup>5</sup> Historical Records of Australia, Ser. I, vol. III, p. 421 ff.



tors, and many were compelled to leave their families destitute.' No wonder that in 1801 only 10,800 acres had been cleared, and only 8,000 acres were being cultivated.

This was the state of affairs confronting Governor King, who reached Sydney in September, 1800. He was a man of considerable energy, and he set out to revive public farming; he regulated the imports of rum, strictly controlled the assignment of convict labour. Thanks to the new arrivals—both convicts and free—he was able to increase the acreage of the public farms to over 1,000, and in 1802 the total wheat yield of the colony was 68,000 bushels, which was sufficient for its needs. Of this, the biggest proportion came from the larger officer settlers, whose greater skill and capital were now being used to advantage, though they continued to trade for their own profit. Thirty-two military officers now held 10,000 acres, apart from Macarthur and Balmain, who owned another 5,000, though of course not all this land was cultivated. Nevertheless there were also 550 peasant farmers with an average holding of about 40 acres. Their increased prosperity reduced the percentage of the population drawing government rations from 70 in 1798 to 37 in 1804, though the total population had increased from 5,000 to 7,000.

King's criticism of the officers aroused their opposition. Lampoons attacking the Governor circulated freely in Sydney.

'My powers to make great,  
O'er the laws and the State,  
Commander-in-Chief I'll assume;  
Local rank, I persist,  
Is in my own fist;  
To doubt it, who dare shall presume?  
For infamous acts from my birth I'd an itch,  
My fate I foretold but too sure;  
Tho' a rope I deserved which is justly my due,  
I shall actually die in a ditch—

And be damned!'<sup>6</sup>

In London, Macarthur, who had powerful connections at

<sup>6</sup> For this and other 'seditious anonymous papers,' see H.R.A., Ser. I, vol. iv, pp. 167-71.



the Colonial Office, was working for the Governor's recall. He was successful, and in 1806 Bligh was appointed.

The new governor agreed with his predecessor about the character of most of the settlers; he demanded that 'plain sensible farming men' be sent out. Meanwhile he determined to try to assist the settlers on the Hawkesbury in their trading concerns with the Sydney merchants and money-lenders. His opposition to the officers, combined with a 'quarter-deck' manner, led to the 'Rum Rebellion' and his deposition in 1808.

Bligh had planned to grant land to settlers on a graduated scale, according to the capital they possessed. But this idea, which was an extension of the demand of his predecessors for a better class of free settlers, could not be fulfilled without a great increase in immigration; and this was not yet forthcoming. During the interregnum between the deposition of Bligh and the arrival of Macquarie, the military Lieutenant-Governors granted land with a free hand—75,000 acres in two years.

These grants were made partly because the rebels wanted to gain friends, partly they were due to the development of the wool growing. In 1798 Sir Joseph Banks, who had accompanied Cook on his voyage of discovery, and who was therefore regarded (quite unjustifiably) as an expert on Australia, had written: 'We have now possessed the country of New South Wales more than ten years, and no one article has hitherto been discovered, by the importation of which the mother country can receive any degree of return for the cost of founding and maintaining the colony.' He was wrong. By 1801 the first coal had been exported as well as timber, whale-oil and sealskins, and the wool trade was in its infancy.

This industry owes much to Macarthur. In 1794 he had successfully crossed Bengal and Irish sheep; and in 1799 he obtained some merinos from South Africa, and two years later purchased 1,200 sheep from Major Foveaux when the latter was transferred to Norfolk Island. When sent to England under arrest in 1801 he took with him samples of



his wool. He found the woollen industry suffering from a lack of raw material owing to the Napoleonic wars, so it was not surprising that a committee of woollens manufacturers welcomed the possibility of a new source of supply of wool, which they pronounced to be as good as any that had come from Spain. A committee of the Privy Council recommended that the government should help Macarthur, and he was given a grant of 5,000 acres by Camden, the Colonial Secretary. The Privy Council indeed had only favoured such a grant as would not 'retard or prevent the other inhabitants of New South Wales from turning their attention to the growth and improvement of fine wool, or perhaps in other respects counteract improvements of the colony,' and Sir Joseph Banks doubted 'the propriety of granting land in perpetuity' for sheep farming. But Macarthur had powerful friends and obtained his 5,000 acres at the 'Cowpastures,' one of the most fertile areas in the whole colony.

Bligh was not opposed to the development of the wool industry; but he was anxious to make the colony self-sufficient in food-stuffs. 'Out utmost exertions,' he wrote, 'must likewise be to Agriculture to supply the shipping, and the collateral advantages of a Wool trade will then be supported by competent means.'

It is too much to say that Macarthur and his party stood for freedom and progress and the successive Governors for reaction. The officers wanted freedom to exploit the community and the Government; the Governors were trying to protect the community, and particularly the small farmers—whether ex-convicts or not. On this policy they were obeying the instructions given to them in England. Nevertheless, if the officers' trading had its evil features, perhaps inevitable in an infant community, far from its supplies and with governors inexperienced in economic problems, at the same time, they were responsible for the chief agricultural progress of the colony. They had capital; they had some knowledge; they had the will to work in their own interest; and if they could get convict labour cheaply their task was relatively easy.

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<sup>7</sup> Quoted by H. V. Evatt: *The Rum Rebellion*, p. 13.



Seeking for profits only, they could turn their attention to wool and neglect the growing of food-stuffs. It was not for them to worry about self-sufficiency when wool-growing required so much less labour. As the boundaries of the settlement expanded, and the land under cultivation increased, the food problem became less pressing; experiments in pastoral development were to be welcomed. But the situation was by no means stable. The British Government did not envisage a pastoral economy. The early governors repeatedly asked for the 'sensible farming men', who were necessary for the development of an agrarian peasant economy. But what would happen to the pastoralists and capitalist farmers if they arrived?

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- G. Mackaness: *Life of Vice-Admiral Bligh*.
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- S. J. Butlin: *The Foundations of the Australian Monetary System*, chs. 2-3.
- C. M. H. Clark: *Select Documents in Australian History, 1788-1850*, sec. II.

## CHAPTER III: DEVELOPMENT

When Macquarie succeeded Bligh as Governor in 1809, no change in policy was anticipated. He was instructed to regulate the traffic in spirits, and to remove the maximum limits on prices; he was told that 'it is much to be doubted whether there be any good policy in maintaining any longer a Government Farm and Government Cattle. . . . The Distribution of the Convicts employed on the Government Farm among the settlers may be more useful.'<sup>1</sup> He was authorised to free convicts and grant them lands—30 acres if unmarried, 50 acres if married, plus 10 acres for each child—'provided that the person to whom the said land shall have been granted shall reside within the space, and proceed to the cultivation thereof;' and these emancipists were to be

<sup>1</sup> Castlereagh to Macquarie, 14th May, 1809; H.R.A., Ser. I, vol. VII, p. 80-3.



assisted by the Government 'until such a time as their joint labour may reasonably be expected to enable them to provide for themselves.' Lands were also to be granted to free settlers—up to 100 acres more than that granted to the various classes of convicts; for larger grants the approval of the British Government was to be obtained.<sup>2</sup>

Though these instructions provided for slightly less government interference in the economic life of New South Wales, they certainly did not suggest any change in the British Government's idea of the character of the colony. Free settlers were to be permitted to emigrate, but it was the emancipist who was to provide the backbone of the settlement; and the idea of the community of small farmers was still paramount. The free settlers were an excrescence—particularly those who were striving to become large land owners. 'The settlements must be considered as receptacles for offenders,' wrote Bathurst, the Colonial Secretary, in 1819<sup>3</sup>; and the Governor's view was that 'in coming to New South Wales, free settlers should consider they are coming to a Convict Country, and if they are too proud or too delicate in their feelings to associate with the Population of the Country, they should consider it in time, and bend their course to some other country in which their prejudices in this respect would meet with no opposition.'<sup>4</sup>

During Macquarie's term of office from 1809 to 1821 free immigration was still slight, though appreciably greater than before. Arrivals numbered 730 persons, or an average of 60 a year. Owing to the policy of government economy adopted in Great Britain after the Napoleonic war, assistance to emigrants was stopped. 'No persons are allowed to go as free settlers to the colony unless they can prove themselves of sufficient property to establish there with the assistance of the Government,' said the circular letter of the British Government to intending migrants.<sup>5</sup>

<sup>2</sup> Macquarie's Instructions, *ibid.*, pp. 190 ff.

<sup>3</sup> Bathurst to Commissioner J. T. Bigge, Jan., 1819; H.R.A., Ser. I, vol. x, p. 4.

<sup>4</sup> Macquarie to Bathurst, June, 1813; H.R.A., Ser. I, vol. vii, pp. 775-6.

<sup>5</sup> Quoted by B. Fitzpatrick: *British Imperialism and Australia*, pp. 216-7.



In New South Wales, to stop speculation in land, Macquarie required that a certain proportion of any grant should be brought into cultivation each year; and after 1818 he would not grant land to immigrants with less than £500 capital. These regulations were strengthened in 1821, and though often evaded, did definitely discourage people from emigrating unless they had some form of property.

There is little doubt that Macquarie disapproved of most of the free settlers. One reason was simply his anxiety, following repeated instructions from England, to keep down his expenditure. 'I must beg leave to recommend that the number of free settlers sent out from England be limited to as small a number as possible,' he wrote. 'Every settler who obtains permission to come out to this colony incurs a very serious expense to the Crown. Permission is often given to persons for a passage to this country, who arrive in so destitute a state that I am necessitated to extend the assistance of Government towards them, for I cannot see His Majesty's subjects starve or perish.'<sup>6</sup> To prevent this it was decided in 1814 that new settlers would only be supported by the Government for six months after their arrival in the colony.

Macquarie was convinced, like his predecessors, that the free immigrants made bad colonists. He pointed out that many were sent out by relatives to relieve themselves and 'throw the weight of a most troublesome and useless set of persons on the Government of this country.' Moreover, nearly the whole of those persons who have arrived here in the character of settlers 'have been ignorant of everything in the farming line, and have, in consequence, generally proved totally inadequate to the task they have undertaken, and on these occasions they immediately look to Government for assistance to extricate them from the difficulties their ignorance had previously involved them in.'<sup>7</sup> Still, he was ready enough to accept settlers if they were of 'good quality.' He did not reduce free immigration to a 'mere

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<sup>6</sup> Macquarie to Liverpool, Nov., 1812: H.R.A., Ser. I, vol. vii, pp. 597-8.  
<sup>7</sup> H.R.A., loc. cit.; and cf. vol. viii, pp. 303-4, and vol. ix, pp. 797-8.



trickle'; it had never been any more. But admittedly he did little to encourage it.

Nevertheless population was increasing—by transportation and natural growth. In 1810 there were 12,000 people in the colony. Between 1810 and 1820 16,493 male convicts were sent out, 11,000 in the last four years. In 1820, in New South Wales, there were 24,000 persons, of whom 1,307 had come free, 1,495 were born in the colony, 159 had received absolute pardons, 962 conditional pardons, 3,255 were 'time expirees,' 1,422 had tickets of leave, 9,451 were serving as convicts, and nearly 7,000 were children. With such a population it was inevitable that the Governor should follow a policy which considered the interests of the emancipists, much as it might be disliked by 'respectable' settlers. He declared that the latter were self-seeking and discontented. 'They imagine that they have done His Majesty's Government so great a favour by coming to New South Wales, that no expense on the part of the Crown can repay the obligation; and the many great donations they receive from the Crown, meet with no other return than discontent and ingratitude on their part. . . . The grant of land which is bestowed on *one gentleman settler from England*, would be sufficient for six families of emancipated or time-expired convicts, who cultivate their ground in gratitude and thankfulness for the favours bestowed on them.'<sup>8</sup>

In fact, much as the free settlers might complain, Macquarie granted plenty of land to both sections of the community. By 1820 324,000 acres had been granted—three-quarters by Macquarie. Of this 55,000 acres were held by 'time-expirees' and 29,000 acres by those who had been pardoned; over 240,000 acres were held by free settlers. Meanwhile Macquarie was fostering the development of the colony as best he could. If the Government did much itself, it was because as yet there was no one else to do it. The time for free enterprise had not yet come; the conditions which make freedom possible had still to be created.

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<sup>8</sup> Macquarie to Liverpool, Nov., 1812; H.R.A., Ser. I, vol. vii, pp. 597-8.



The Governor had been instructed to lay out and build towns. Of first importance was Sydney. Macquarie had no official architect, but after a time he found one among the convicts—Francis Howard Greenway, who arrived in Sydney in 1814 after being sentenced to transportation for concealing his assets in bankruptcy. In 1811 the Governor had granted a legal monopoly to import spirits to three men, who in return undertook to build a large general hospital. Though the monopoly may be criticised, the hospital was necessary; and there was probably no other means of getting it built. In 1815 Greenway attracted notice by pointing out faulty work in its foundations; he was then made civil architect and assistant to the Inspector of Public Works. Of his work, Shann writes: 'He set a new standard in colonial architecture which influenced private as well as public building throughout Van Dieman's Land and New South Wales. He worked in a style simple and stately. The secrets of his strength are scale and proportion. He brought into the convict colonies a quality which dignified the pleasant homesteads of the 'Old Colonial' days, with their shady gardens of great trees, both native and exotic, and preserved for a time the tradition of an earlier elegance.'<sup>9</sup>

Not only town buildings, but roads and bridges were constructed by this energetic Governor. In 1813, encouraged by Macquarie, an exploring party led by Gregory Blaxland successfully crossed the Blue Mountains, which had hitherto hemmed in the settlement. Next year Macquarie sent his assistant surveyor—Evans—to investigate the lands on the other side. He reported 'vast areas of grazing country,' not divided by barren spaces as on the coast, and 'hundreds of miles of rolling grassy plains, which would be equal to every demand which this country may have for an extension of tillage and pasture lands for a century to come.' Well might Blaxland claim that his discovery had 'changed the aspect of the colony from a confined, insulated tract of land to a rich and extensive continent.'<sup>1</sup>

<sup>9</sup> *Economic History of Australia*, p. 64.

<sup>1</sup> Quoted, E. O. G. Shann: *op. cit.*, p. 68.



But this land had to be opened up. A road had to be built; and built it was by January, 1815, despite growing complaints from London at the expense. Macquarie had already built turnpike roads on the coastal plain, for, as he explained in 1812, 'making permanent roads and bridges is one of the first steps towards improving a New Country. Permanent roads through this Wide Extended Colony cannot be constructed at the entire expense of the inhabitants for many years to come, and they imagine that they have a right to expect that at least part of the Colonial Revenue ought to be laid out and appropriated to the construction of permanent roads and bridges, streets and wharves, wherever these are essentially necessary.'<sup>2</sup> Criticism of this policy might be expected from the British Government, striving to balance its budget after the war, and regarding the settlements as 'receptacles for offenders. . . . So long as they continue destined to this purpose by the Legislature (of Great Britain), their growth as colonies must be a secondary consideration, and the leading duty of those to whom their administration is entrusted will be to keep up in them such a system of just discipline as may render transportation an object of serious apprehension.'<sup>3</sup>

This, of course, was what Macquarie was *not* doing. In his efforts to develop the colony he was making it more attractive to freemen. At the moment these were mainly emancipists; the time of free immigration was still in the future. But Macquarie was advancing that time; and the British Government naturally objected—both to the policy and to the expense. In 1819 they sent out a Commissioner, John Thomas Bigge, to investigate the conditions of the colony and to find out 'how far in its present improved and increasing state it was susceptible of being made adequate to the objects of its original institution.'

Before Bigge's arrival two other achievements of the

<sup>2</sup> Macquarie to Bathurst, Oct., 1814; H.R.A., Ser. I, vol. vii, pp. 604-5; and cf. vol. viii, p. 315.

<sup>3</sup> Bathurst to Bigge, Jan., 1819; H.R.A., Ser. I, vol. x, pp. 4-5.



Governor had helped to make the colony more suitable for the normal development of a free economy. From its foundation New South Wales had lacked an adequate currency to use as a means of exchange. Occasional specie imports, private 'I.O.U.s,' Government promissory notes, even 'rum,' had served as money. Macquarie established a 'token' currency from dollars imported from India and Mexico with coins with the value of 5/- and 1/3. He also vigorously advocated a bank which might issue notes against land, and which might restrain the unlimited credit of the imprudent. In 1817 he granted a seven-year charter to the Bank of New South Wales. The Colonial Office was unwilling to confirm his action; it disapproved of the privilege of limited liability; it asked Bigge to investigate. The latter did not recommend the renewal of the charter; but it was renewed by Brisbane in 1824. Shann writes<sup>4</sup>: 'Whatever its standing in the eyes of the law, the Bank proved a vigorous custodian of the community's financial interests.'

Macquarie did not neglect the pastoral industry, though he did not realise its future importance to Australia. Indirectly he helped it by building roads, stabilising the currency, granting lands and promoting exploration. Directly, he was able to obtain from the British Government licences for the free export of wool to England, and he helped to establish flocks in Van Diemen's Land. In 1819 he bought 300 merino ram lambs from Macarthur and sent them to the southern colony, where the sheep had hitherto been mainly Leicesters and Teeswaters. By 1821 the graziers of the island could report that whereas hitherto the local wool had been thrown away or used for stuffing mattresses, now it was exported for sale in England.

Macquarie's policy was really a compromise between that of the British Government and that of the 'pure-merinos,' or free settlers led by Macarthur. The former looked on New South Wales purely as a convict settlement. They demanded that the situation of convicts be not 'divested of all

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<sup>4</sup> *op. cit.*, p. 58.



Salutary Terror;' they demanded, above all, economy—despite the necessity of accommodating growing numbers of prisoners in New South Wales, when crime at home—and therefore transportation—was at its height, in the disturbed years after Waterloo.

Macarthur wanted freedom to make money—and in so doing he would help the colony—freedom to develop his pastures unhindered by undue consideration for the poorer classes. The transportees should be assigned to the free settlers; emancipists should not be given land; rather should they work as landless labourers for the sheep aristocracy that ought to be established.

In this Macarthur was correctly forecasting the future development of Australia down to the gold rushes. The 'squatocracy' was established and the small farmer largely excluded. For a pastoral economy this was probably inevitable. It is only with the development of agriculture and dairying that the small man has won his place as an Australian landholder.

But before the Blue Mountains were crossed, Macquarie had to protect the small settler from the pastoralist in the small area of good land available. Before the advent of many free immigrants, it was to the emancipist he had to turn; he held out, as he said, 'the greatest possible rewards to the convicts for reformation of manners, by considering them, when this is the case, in every way entitled to the rights and privileges of a citizen who has never come under the Sentence of Transportation.'<sup>5</sup> Commissioner Bigge commented: 'Convinced of the rectitude of his own intentions, and not probably calculating upon the possible evils of resistance in quarters where co-operation was absolutely necessary for the success of his measures, fortified also with the approbation of the Parliamentary Committee of 1812, Governor Macquarie has not only continued his support of the emancipated convicts, but has manifested on public occasions to-

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<sup>5</sup> Macquarie to Bathurst, June, 1813; H.R.A., Ser. I, vol. viii, pp. 775-8.



wards them a larger share of attention than he has manifested towards those of the free class.'<sup>6</sup>

Macquarie thus aroused the opposition of the colonial aristocrats by building on the emancipists, and the opposition of the British Government for building at all. Nevertheless he could look back on his achievements with pride, confident that future generations, especially with growing numbers of free settlers of a better type, could develop from the foundations he had laid. On his return to England, he summed up his work thus: 'I found the Colony barely emerging from infantile imbecility, and suffering from various privations and disabilities; the country impenetrable beyond 40 miles from Sydney; agriculture in a languishing state; commerce in its early dawn; revenue unknown; threatened by famine; distracted by faction; the public buildings in a state of dilapidation and mouldering to decay; the few roads and bridges, formerly constructed, rendered almost impassable; the population in general depressed by poverty; no public credit or private confidence; the morale of the great mass of the population in the lowest state of debasement, and religious worship almost totally neglected. . . . I left it reaping incalculable advantages from my extensive and important discoveries in all directions, including the supposed insurmountable barrier called the Blue Mountains, and in all respects enjoying a state of private comfort and public prosperity, which I trust will at least equal the expectation of His Majesty's Government.'<sup>7</sup>

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6 Bigge's report on the State of New South Wales, quoted, Fitzpatrick; *op. cit.*, pp. 224-5.

7 Macquarie to Bathurst, July, 1822; H.R.A., Ser. I, vol. x, pp. 671-3.

#### READING:

- E. O. G. Shann: *Economic History of Australia*, chs. iv. and v.
- R. B. Madgwick: *Immigration into Eastern Australia*, chap. II.
- B. Fitzpatrick: *British Imperialism and Australia*, ch. v.
- M. Barnard Eldershaw: *Macquarie's World*.
- M. H. Ellis: *Lachlan Macquarie, His Life, Adventures and Times*, part II.



## CHAPTER IV: TRANSITION

During the ten years after Macquarie left New South Wales there were considerable changes in the colony. By 1830 the predominance of the free settlers over the convicts was assured, and limited powers of self-government had been granted to enable the colonists to curb the autocracy of the Governor.

The instructions given to Sir Thomas Brisbane in 1821 scarcely differed from those issued to Macquarie twelve years earlier. Brisbane was still the autocratic Governor of a penal settlement. But in 1819, and again in 1821, petitions had been sent to London asking for trial by jury and certain economic concessions. As a result, the colonists were permitted to distil grain, ships of less than 350 tons were for the first time permitted to engage in the colonial trade, and customs duties were lowered. In 1823 a Legislative Council, appointed by the Crown, was established with limited powers; a Supreme Court was created, and the right of trial by jury was granted in civil cases. When Sir Ralph Darling was appointed Governor in 1825 he was instructed to follow the advice of an Executive Council. These concessions were not enough for the colonists, who, under the leadership of Wentworth, demanded a representative Legislature, a free press and trial by jury in all cases. In 1828 the Legislative Council was increased in size, and the special powers of emergency legislation which the Governor had hitherto possessed were withdrawn.

These constitutional changes reflect the economic development of the colony. There was a marked increase in free immigration and in land grants. Compared with an annual average of about 60 under Macquarie, from 1821 to 1825 nearly 3000 free immigrants arrived. Brisbane's land grant regulations were similar to those of his immediate predecessors. Like Bligh and Macquarie, Brisbane wanted as



free immigrants only those with sufficient capital to support themselves and employ the convicts. These, unlike Macquarie, he was anxious to encourage, and his regulations certainly discriminated against the poorer immigrant who might want land. On the other hand he was anxious to attract from England immigrant skilled artisans who would help to relieve shortage of labour. As for the poorer settlers in the colony—emancipists and others—who wanted to take up land—these Brisbane wished to restrain so that they would be available as labourers to work on the existing farms and pastures.

Land grants almost doubled in four years; they totalled over a million acres in 1825. By 1828 they had more than doubled again. Quit rents were increased; from 1789 they had been only 1/- per 100 acres; in 1823 they were raised to 3/- per 20 acres. In 1824 Brisbane authorised for the first time the sale of land—100,000 acres at 5/- per acre; but sales were not intended to supersede grants; the two systems were to exist side by side. But in 1825 the Governor virtually amalgamated the two by providing that the annual quit rent could be redeemed 'at twenty years' purchase' (i.e., the holder could purchase land granted to him by paying at once 20 years' quit rent). The Colonial Secretary, Bathurst, agreed with this plan; he wished to restrict grants in the future to poorer settlers, with a maximum of 2,560 acres; richer settlers were to be permitted to buy 9,600 acres at auction; and rebates were to be allowed to settlers of both types if they maintained convicts.

Under Darling this joint policy was continued for another five years, during which the number of free immigrants was nearly 5,000. In 1826 the Government, in order to attract 'good' settlers, offered special concessions to officers of the army and navy, whose arrival helped to swell the propertied class. Another attempt to stimulate settlement was made by reviving the 'Veteran Companies,' first introduced by Macquarie. These were raised in England for service in Australia, and it was proposed that they should



be discharged after two years, when it was hoped they would become useful settlers. This hope was not fulfilled. 'There are not half a dozen men out of the two companies here whose services are worth half the rations they receive. . . . They are the most drunken, disorderly, worthless set of fellows that ever existed,' wrote Darling.<sup>1</sup>

The free immigrants were, as one would expect, a mixed lot. Some were men of considerable worth; others had emigrated owing to 'family circumstances over which they had no control.' Some tried to evade the land-grant regulations by misstating the amount of capital they possessed. Many who obtained permission to emigrate did not intend to settle on the land; when they reached New South Wales they preferred to become merchants or speculators.

In the atmosphere of the colony at that time, 'business morality was at a low ebb; the merchants and landholders carried on their enterprises in a manner reminiscent of earlier years when the rum traffic was at its height. . . . But in general the immigrants contained a solid majority of people determined to improve their status by hard work. They were, on the whole, members of the English middle class, farmers and merchants who would be likely, more than any other class, to lay the foundation of a solid economic and social organisation.'<sup>2</sup> Thus a policy was adopted of trying to encourage the settlement of men with capital, which might have transformed New South Wales into a 'plantation colony' on the American model.

Two other steps destined to have important consequences were also taken in this period, one in the colony and the other in Great Britain. In 1827 Governor Darling began to issue grazing licences to pastoralists; after a brief experiment the terms were fixed, in 1828, at an annual rent of 2/6 per hundred acres, with liability to quit on one month's notice. From this small beginning grew the squatting movement and the great pastoral expansion<sup>3</sup>; and the idea of

<sup>1</sup> Darling to Under-Secretary Hay, Feb., 1827; H.R.A., Ser. I, vol. xlii, pp. 86-7.

<sup>2</sup> R. B. Madgwick: *Immigration into Eastern Australia*, p. 58.

<sup>3</sup> See below, ch. v.



the earlier Governors that New South Wales should be a colony of farmers was thus definitely abandoned.

In 1825 the Australian Agricultural Company was granted a charter by the English Government for the purpose of 'the Cultivation and Improvement of the waste lands of the colony of New South Wales.' The company began operations next year on a site near Port Stephens, but for some time the settlement languished. Then in 1828 Sir Edward Parry, the famous Arctic explorer, was put in charge. He had difficulties enough. The land was unsuitable—part 'rocky, precipitous and sterile,' and part too wet for sheep; the available labour was bad, even the free servants being 'idle, dishonest and unmanageable'; there were native raids to be beaten off—and arming the shepherds turned them into bushrangers; to cap all, a three years' drought set in. But Parry persevered. Exploring expeditions were sent out, until, after several failures, fertile lands were found in 1832 on the Peel River. But permission to occupy these lands had to be obtained. What of the rights of future small settlers? Or of the existing squatting cattlemen? Finally the company in England persuaded the British Government to make a grant; 550,000 acres were obtained on the Peel River, on Liverpool Plains, and on the Gloucester River flats near Port Stephens, as well as 2,000 acres of the Newcastle coal fields.

Development, by the company and by the free settlers, brought increasing prosperity to the colony. Exports which were worth £106,600 in 1826 had three times that value in 1831; imports increased from £360,000 to £490,000. New South Wales was not yet self-supporting in food, for wheat had still to be imported from Van Diemen's land; but it had over half a million sheep; and if manufactures were few, wool exports had increased fifteen-fold between 1821 and 1831 and totalled over a million pounds; cattle numbered over 250,000, and two coal mines were producing 5,000 tons annually.

The demand for labour was increasing, which should have reduced the expense of maintaining convicts. But the British



Government was worried. 'I must impress upon you,' wrote Bathurst to Governor Darling in 1827, 'the difficulty I feel in reconciling the scarcity of assignable convicts, of which I have received accounts from all quarters, with the enormous and increasing expense with which this country is still being charged on account of the prisoners. . . . The system of grants laid down by Sir Thomas Brisbane, by which every grantee was bound to receive and maintain one convict for every 100 acres of land, first led His Majesty's Government to adopt the regulation now in force, by which a bonus is offered for the employment of convicts; but it now appears that a total change had taken place in the circumstances of the colony, and that, instead of a great number of the convicts being thrown on the hands of the Government, the supply falls infinitely short of the demand for their services. . . . Such a competition exists among the settlers to obtain them . . . that it is no longer necessary to hold out any premium to ensure their being taken off the hands of the Colonial Government.'<sup>4</sup>

Once again the supply of factors of production had become uneven. In the early days of the colony labour was present—bad labour, convict labour, but still labour. The governors had demanded settlers with capital to employ that labour and develop the land. They proposed to limit land grants in proportion to the means of the settler. They got settlers, some with capital, some without; latterly they had been fairly successful in excluding those without, or, if they came, in keeping them off the land. 'When the Governor shall be satisfied of the character and respectability of the applicant, and the amount of capital he can command, and intends immediately to apply to agricultural purposes, has been duly ascertained, he will receive the necessary authority to select a grant of land proportionate in extent to the means he possesses,' declared Darling,<sup>5</sup> but these intentions were not always carried out.

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<sup>4</sup> H.R.A., Ser. I, vol. xiii, p. 221.

<sup>5</sup> Terms upon which land is granted to settlers in N.S.W.; H.R.A., Ser. I, vol. xiv, p. 376.



But with the increase of capital came the need for more labour; it is 'capital in labour which we need,' said the Sydney Gazette. A system which reserves land for capitalists, but provided no labour to cultivate it, was certainly unsatisfactory. In 1829 came 3,329 convicts—the largest contingent yet received and more than twice the number of Darling's first year—and over 2,000 immigrants; but they were not enough. Many of the convicts were not available for assignment to settlers; 'many from their extreme youth, old age, blindness and other bodily infirmities would be totally useless'; some were needed for public works; long sentence men could not at once be assigned. Restrictions on emigration from England had been removed in 1825; but more than this was needed—positive assistance must be provided if many were to be able to afford to make the long passage to Australia. Moreover, the British Government wanted emigration to relieve England of her paupers.

The English population was growing rapidly; poverty was widespread; the burden of the Poor Rates under the Speenhamland system of poor relief was heavy. Contemporaries, influenced by Malthus, bewailed the excessive population. Select Committees on the Poor reported in favour of emigration in 1817, 1819, 1823, 1826 and 1827. 'Emigration is the one obvious and immediate measure for correcting in some degree the redundancy of the population, and for mitigating the numerous evils which appear to result from its existence,' reported the Committee of 1826. Thus increased migration was wanted both by Britain and the colony; but the British Government was reluctant to increase its expenditure to assist migrants. How then could the money be obtained?

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- B. Fitzpatrick: *British Imperialism and Australia*, ch. vii.
- R. B. Madgwick: *Immigration into Eastern Australia*, ch. iv.
- C. M. H. Clark: *Select Documents on Australian History, 1788-1850*, sec. 8.



## CHAPTER V: SYSTEMATIC COLONISATION

One solution of the problem of supplying the colonies with sufficient labour to cultivate their lands was offered by Edward Gibbon Wakefield. He had been imprisoned in Newgate Gaol in 1826 for abducting an heiress, and he tells us that 'whilst in Newgate I had occasion to read with care every book concerning New South Wales and Van Diemen's Land,' and found that on the subject of colonisation 'there was an immense amount of practice, but no theory . . . long experience without a system, immense results without a plan, vast doings but no principles.' He determined to supply the plan and the principles. He wondered why the colonies had not progressed more rapidly. 'At length the true light broke on me. The *scarcity of labourers* was an insuperable bar to any mode of cultivation that requires the employment of many hands.'

Lack of labour—this was why the colony did not prosper; this moreover was why so much wool was produced. 'Owing to the scarcity of labouring hands, we produce hardly any commodity for foreign markets except wool, which may be produced almost without hands.' This Wakefield disliked; he feared the growth of the colonial flocks, and the overproduction of wool, which would cause a fall in its price. What then was the remedy? The Government must stop making *grants* of land, and must also restrict the *sale* of land by offering it only at a 'sufficient price.' This restriction would serve two purposes. It would prevent anyone buying more land than he could profitably cultivate, so that the settlers would not become too 'dispersed' by having tracts of land bought but unused near the centres of population; thus it would ensure that all who bought land should use it. Secondly, the 'restriction' would prevent labourers buying land too easily. Before they could afford to purchase a farm for themselves they would have to work for three or four years for wages, so that the labour shortage would be overcome.



What was a 'sufficient price'? Wakefield answered that he did not know, but that it would be found out by experience. But it would be one that caused 'neither superabundance of people nor superabundance of land, but so limiting the quantity of land as to give the cheapest land a market value that would have the effect of compelling labourers to work some considerable time for wages before they could become landowners. A price that did less than this would be insufficient; one that did more would be excessive.' The price would be different in each colony, according to local conditions; but in any particular colony it would be uniform and fixed. Sale by auction would raise the price and so impose *too much* restriction and hamper the development of the colony.

Wakefield put forward these ideas in his 'Letter from Sydney'—in reality written from Newgate in 1829. After his release, they were more fully developed, in many books and pamphlets. The most important addition to the theory was in answer to the question—What was to be done with the proceeds of the land sales? At first Wakefield said it did not matter in the least; 'the production of revenue is a mere incident of the price of land,' and the price must be imposed 'under any circumstances, even though the purchase money were thrown away.' But obviously the money could be spent usefully. How better than as an 'emigration fund,' to pay the passage of those wishing to go to the colonies, to 'build a bridge, as it were, toll free, for the passage of poor labourers from an old country to the colony' so that the 'land will be colonised as fast as possible?' If the purchase money were used in this way, the 'sufficient price' might be reduced, for more labour would be coming to the colony; as the price was lower it would be less restrictive; therefore the labourer might hope to become a landowner more quickly, and so he would be more pleased. As the labourer became a landowner, that is, as he bought land, more revenue would be available from the land sales, and more labourers could be assisted to emigrate.



At first he thought that this process would be self-regulating, but later gave up this idea. There was no reason why the 'sufficient price' necessary to restrain excessive land sales should necessarily yield a revenue equal to what was required to subsidise emigration. The latter would depend on the cost of transport and the number of emigrants coming unassisted. Consequently in his later writings Wakefield merely suggested that the revenue from land sales should be used to subsidise emigration, but did not argue that the subsidy should exactly equal the 'land fund.' In fact he suggested that some of the land fund might be spent on surveying, improving communications, or even on ordinary government services.

Wakefield did not apply his theory to land good only for grazing. This should remain free, he argued, because 'it does not affect the labour market . . . it is the extreme cheapness not of natural pasturage, but of land for cultivation, which occasions scarcity of labour for hire.'

He strongly opposed the transportation of convicts. Admittedly convicts supplied labour, but not in the right proportion. 'If for every acre of land appropriated, there should be a conviction for felony in England,' all would be well. But this was indeed unlikely; to get sufficient labour, free immigrants were necessary as well; and free immigrants were deterred from coming to a penal colony. Moreover, convicts corrupted the whole colony, made life and property insecure, encouraged drunkenness and vice; and a penal colony could not be granted self-government, which Wakefield thought very desirable.

For he held that the colonies should not be regarded as 'new societies,' but rather 'extensions of an old society'; and the old society should send its good as well as its bad, not only paupers and convicts, but good citizens—'land-owners, builders, architects, and engineers; mineralogists, miners, botanists and chemists; printers, schoolmasters, book-sellers, authors and publishers, merchants, bankers, actors, surgeons, lawyers, clergymen, singers—and at least one good



Political Economist!' These people deserved the blessings of free government, in an 'honourable and glorious co-partnership' with the Mother Country. Government from a distance was inefficient, but 'the colonists being an instructed and civilised people, would be as well qualified to govern themselves as the people of Britain. Qualified, entitled and powerful to govern themselves, they might either take a share in framing the general laws of the empire, by means of representatives in the British Parliament; or, if a mean jealousy on the part of Englishmen should prevent such an arrangement, they might frame their own laws, in a Colonial Assembly, under the eye of a Viceroy, incapable of wrong and possessing a veto like the King of England, but whose secretaries, like the ministers of England, should be responsible to the people.' At all events, they must be governed with a view to their good and their contentment. This would 'render them happy in a most intimate connection with the Mother Country' . . . and Britain would become 'the centre of the most extensive, the most civilised, and, above all, the happiest empire in the world.' This was a bold policy for 1829.

So much for Wakefield's theories. It remains to see how they were applied in practice. One Australian colony—South Australia—was almost completely 'Wakefieldian.'<sup>1</sup> But even in New South Wales experiments in his system were tried, in place of the former unsystematic methods of granting or selling land.

The first instruction came in a despatch, written in January, 1831, from Lord Goderich, Colonial Secretary in the British Reform Ministry, to Governor Darling.<sup>2</sup> It was imposed on the colony without discussion even in the House of Commons—simply a Ministerial edict. Goderich pointed out that the elaborate regulations regarding land grants had not prevented 'large tracts of land from being appropriated by persons unable to improve and cultivate them,' the grants

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<sup>1</sup> See chapter vi.

<sup>2</sup> H.R.A., Ser. I, vol. xvi, pp. 19-22.



had been 'arbitrary and capricious,' quit rents difficult to collect, and the settlers had spread themselves too far afield. Hence Goderich instructed the Governor to 'suspend all further grants of land,' and to dispose of it only through sale by auction with a minimum price of 5/- an acre, which would prevent the land being bought, but not cultivated.

A fortnight later Goderich considered the question of emigration.<sup>3</sup> The British Government wished 'to relieve the distress prevailing among the agricultural labourers of the South of England by enabling the Parishes to remove to the Colonies those who are without employment.' As New South Wales wanted labourers the colony might 'contribute something towards defraying the expenses of the voyage,' either by a 'tax on the labour of convicts,' which would be equitable owing to the great demand for their services, or from the revenue from the land sales, or by a contribution from the prospective employers of the immigrants.

This policy, put into force by the so-called 'Ripon Regulations,'<sup>4</sup> was an attempt to put the Wakefield theory into practice, though from Wakefield's point of view there were many shortcomings. He considered the minimum price of land—5/- an acre—too low; he suggested £2 an acre as a more suitable figure. He feared that the new policy would not be enduring; he would have preferred it to rest on the more solid basis of an Act of Parliament. He criticised the plan of sale by auction; the size of the allotments—640 acres—he thought to be too big; he disapproved of the Governor having the right to withhold land from sale; he objected to the right of purchase being restricted within the boundaries of defined settled districts; and he was disappointed because the revenue from the land fund was not compelled to be spent on emigration.

On the last point he need have had few qualms, for during the next ten years many migrants were assisted to go to Australia. From 1832 to 1842 nearly 70,000 immigrants, of

<sup>3</sup> Goderich to Darling, 23 Jan., 1831; H.R.A., Ser. I, vol. xvi, pp. 34-8.

<sup>4</sup> Viscount Goderich was created Earl of Ripon in 1833.



whom more than three-quarters were assisted, arrived in New South Wales.

The Government was worried by the greater number of men than women in the colonies. Hence it proposed to encourage female immigration. Commissioners for Emigration were appointed, and in October, 1831, they proposed to pay a bounty of £8 (or about half the cost of a passage) to unmarried women aged between 15 and 30 who would go to Australia. At the same time it was proposed to offer a loan of £20 to any mechanic who wished to emigrate with his family.

The colonists and the home Government soon differed about the merits of this scheme. In Britain it was regarded as a means of reducing pauperism. But the colonists did not want pauper immigrants. It was argued that they did not understand what paupers were, that they were not necessarily the dregs of the population. This was true; but the migrants obviously had to be carefully selected, and this was something that the British Government could not do.

From 1832 to 1836 a voluntary body—the London Emigration Committee—connected with a London charitable association, acted as the government agent. It tended to allow shipowners to select their own migrants, though it did try to discover whether those selected were suitable. But the shipowners were interested parties, and did not hesitate to descend to fraud and misrepresentation. Naturally the colonists complained. Sometimes it was the character of the women; 'they made the whole colony a sink of prostitution,' said the Rev. John Dunmore Lang. Sometimes it was their general unsuitability—too many cooks, ladies' maids, and nursery governesses. 'A good deal of disappointment,' wrote Governor Bourke in 1835, 'has arisen . . . from the want of a correct understanding in England as to the persons in request here. The demand for governesses is limited and may easily be oversupplied. . . . Milliners and dressmakers are already too numerous.'<sup>5</sup> There was 'something wrong some-

<sup>5</sup> Bourke to Spring Rice, Feb., 1835; H.R.A., Ser. I, vol. xvii, pp. 659-60.



where in the proceedings at home'; and between 1831 and 1835 there were only 7,221 free emigrants to New South Wales, compared with over 16,000 convicts.

This dissatisfaction led to a demand for colonial control of migration. In 1835 Bourke announced a new system. Loans to male migrants had been already converted into bounties, as few were being repaid. It was now proposed that settlers in Australia should be paid a bounty for bringing out suitable migrants; the migrant would be examined in Sydney, and if unsuitable the bounty—£30 for a married couple—would be refused. Up to 1839 ten bounty ships brought 1,650 adults and 700 children to New South Wales. But again abuses crept in, so that the 'system gradually degenerated into a commercial speculation controlled by British shipowners,' in their endeavour to gain the bounty.<sup>6</sup>

The pastoralists strongly supported the 'bounty system,' which provided them with cheap labour. In fact, 'bounty' families were preferable to convicts. As Sir William Macarthur, son of the famous John, pointed out in 1838: 'I will suppose a man to be a shepherd and to have several boys of nine or ten and upwards. He might with his boys undertake the entire duties connected with a sheep station consisting of three or four flocks. It will surely not be contended that such a family would be more expensive to their masters than four or five convict servants. . . . Even the females may with propriety be employed. . . . At Camden we have generally from ten to twenty children, from five or six years old, employed at wages from threepence to one shilling a day.'

Side by side with the bounty system, the 'Government system' was continued, by which the cost of migration was paid by the government from the proceeds of land sales. Efforts were made to select more suitable migrants. In 1836 the unofficial London Emigration Committee was replaced by an official 'Agent for Emigration,' and emigrants were

<sup>6</sup> R. B. Madgwick: *Immigration into Eastern Australia*, p. 157.

<sup>7</sup> Quoted, B. Fitzpatrick: *British Empire in Australia* (1st edn., 1941), pp. 96-7.



selected by naval surgeons returning from the colony who might be expected to know the conditions there and what type of people would be likely to 'make good.' But complaints continued; in vain did the British authorities argue that they could not send perfect settlers, but only the best that were available; for 'it is necessary to be understood in the colony that the inclination to emigrate is not so unlimited as used to be supposed.' The cost of assistance, the unsuitability of the emigrants, their ill-health, and the numbers of children and paupers that were sent—all these gave the colonists a source of grievance. For there was a fundamental incompatibility between the desires of the colonists and the wishes of the British Government, which all Wakefield's theorising could not overcome. The English wanted emigration—true, but those they wished to see emigrate were not welcomed in Australia. Enlightened opinion in the colony came to recognise that free immigrants could not work with convicts; the latter by themselves were too few; therefore, transportation must stop, and immigration be encouraged. But immigrants of good quality were not those that the British Government was most anxious to send; it was still inclined to worry about its paupers.

In the past convicts had been 'assigned' to settlers for whom they had to work, but this system was unsatisfactory. From the viewpoint of the convict, it meant 'a lottery of punishment'—'As the lot of a slave depends upon the character of his master, so the condition of a convict depends on the temper and disposition of the settler to whom he is assigned.' He might be treated as a 'petted son,' or he might be flogged to death. From the viewpoint of the settler it meant favouritism. Bourke in 1835 ruled that a settler was to receive only one convict for every 160 acres held, or 40 acres cultivated; no one was to have more than 70; but this ruling was bitterly attacked by the large settlers. From the viewpoint of the colony, it involved moral degradation by mixing the free and the unfree.

What else could be expected when in 1835 there were in the colony less than 50,000 free persons and 28,000 bond,



with more convicts arriving at the rate of 3,000 a year? But labour was short; and to stop transportation would be 'attended with the most serious consequences unless there be previous means taken to ensure the introduction of a full supply of free labour.' Immigration must come first; then transportation might be stopped. In the next five years the number of free immigrants increased so much that transportation could be stopped.

Between 1835 and 1840 the colony was very prosperous; land sales were large, and consequently funds available for assisting migrants were plentiful. In 1838 land revenue was over £150,000; next year over £200,000; in 1840 over £500,000; in 1838 came 7,400 migrants; next year nearly 10,000; in 1840, 8,500; in 1841, 22,500!—satisfactory in number, if not in all other respects.

Thus in 1840 migrants might come to New South Wales as free unassisted settlers; or they might be 'assisted'—either by the Government through the 'Agent-General for Emigration' or by the 'bounty' system. Between 1832 and 1842 over 50,000 assisted and 15,000 unassisted migrants arrived in New South Wales. Or they might come as convicts; over 3,000 a year did so in the thirties. Between 1830 and 1840 the population of the whole of Australia increased from 77,000 to 190,000; that of New South Wales (including Port Phillip) was 130,000 in the latter year. Of these, 87,000 were men and 43,000 women; 30,000 had been born in the colony, 52,000 were free settlers, 20,000 were emancipists and over 20,000 were convicts, of whom more than half were 'assigned servants.'

The colonists were now demanding local control of immigration and the stopping of transportation. The more enlightened among them—such as the Macarthurs—realised that convict labour was not necessarily cheap labour; opposition to transportation grew as free immigration increased. In England it was being realised how inconsistent were the policies of assisted emigration and transportation; and it was doubted if transportation as a punishment was a deterrent.



After several committees had reported on the matter, an order-in-council in May, 1840, abolished transportation to New South Wales. But as regards increasing local control of immigration the appointment of a Land and Emigration Commission in England in 1840 certainly did *not* satisfy the colonists, though the suspension of assisted immigration in 1842, owing to the depression in the colony, shelved the matter for the time being. Meanwhile, in 1842, there was established in New South Wales a Legislative Council of 36 members—12 nominated and 24 elected on a property franchise—with legislative powers but little control over the executive. It was much less than the colonists demanded; but it was a step towards self government, and played an important part in the 'squatting' questions in the next few years.<sup>8</sup>

Much had been done in New South Wales between 1831 and 1842; and much was due to Wakefield. A uniform system of selling wastelands had been established, which was an improvement on the former haphazard grants. That the labour shortage was not overcome was partly due to the advance of the squatter, who went beyond the prescribed limits of settlement and who did not buy his land. Wakefield had assumed that the desire of owning a freehold farm would be greater than it was. The profits from squatting—without freehold—were greater than farming freehold land.

But land sales there were, and land revenue was used to subsidise immigration, which certainly helped to increase the labour supply. The proceeds of the land sales were not exactly equal to the expenditure on migration, but to this Wakefield would not have objected. On the other hand the connection between land sales and immigration—'the two great pillars of colonial prosperity'—had been recognised. The emigration was not always well managed; it tended to be a case of 'shovelling out paupers'; but it did stimulate the development of the colony.

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<sup>8</sup> See chapter v.



The high price of land prevented the newly arrived immigrant becoming a landowner. This was what Wakefield had wanted; but it involved the creation of a capitalistic agriculture and a landless rural working class. Cultivation by small holders was ruled out, on the plea that it was inefficient. This plea is not necessarily true. Admittedly Wakefield believed that the immigrant would soon be able to buy land, but in practice he was unable to do so. His task was made harder by the raising of the 'minimum price' from 5/- to 12/- in 1838 and £1 an acre in 1842 in order to 'prevent dispersion,' and the system of sale by auction instead of at a fixed price forced up the value of good land, and made it still more difficult for the poor settler to buy. 'If any one wish to be a servant for twenty years and then begin to farm, Australia is his ground,' wrote one pastoralist. Nor did the high price in practice restrain 'dispersion' as the British Government intended. For the pastoral 'squatters' did not buy their land, and the colonial Government could not stop them spreading over the interior.

Sale by auction was opposed by Wakefield, but it was strenuously advocated by Gipps, Governor from 1838 to 1846. He admitted he had 'never been a blind follower of what is called the Theory of Systematic Colonisation.' He believed that the objection to 'dispersion' in Australian conditions was absurd. 'I have ever regarded as visionary the attempt to carry out the principles of the theory in all colonies, notwithstanding the differences they present to the most superficial observer,' he wrote.<sup>9</sup> 'I have endeavoured to show how inapplicable to New South Wales, or indeed to any pastoral country, is what is called the theory of concentration, or the anti-dispersive principle.' He saw no reason why the Government should not sell at the best price it could get—as determined by auction.

By 1842 the pure Wakefield system was inapplicable to Australia, because it had become a pastoral country; and

<sup>9</sup> Gipps to Russell, Dec., 1840; H.R.A., Ser. I, vol. xxi, pp. 122-34; and cf. Gipps to Stanley, Jan. 17, 1844; H.R.A., Ser. I, vol. xxiii, pp. 336-46.



Wakefield greatly underrated, if he did not entirely neglect, pastoral development. When the pastoralists used land which they did not buy, the whole 'Wakefieldian' balance was upset; and Government recognition of the squatters meant that the Wakefield policy had to be abandoned.

Nevertheless, though it is the squatter who dominates the economic history of Australia from 1825 to the time of the gold discoveries, much also is owed to Wakefield and his followers. They brought attention to bear on colonial development; they helped to stop transportation; they encouraged and provided money for immigration; and this in turn led to a greater measure of self government being granted—as they desired. 'Wakefield introduced method and order into the whole process of colonisation . . . he brought about a revival of the colonising spirit of the English people. . . . Without him Australian history would have been very different. Swamped by convicts, lacking free settlers, the penal colonies would have grown slowly as large overseas gaols.'<sup>10</sup> This is certainly true. And if he contributed nothing directly to the growth of the pastoral industry, by stimulating immigration he made possible its development by others.

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10 R. C. Mills: *The Colonisation of Australia, 1829-42*, pp. 338-40.

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## CHAPTER VI: SQUATTING

It was some time after the settlement of New South Wales that the pastoral industry began to prosper. The early ventures of the Macarthurs at Camden, if not hindered by the governors, were at least not greatly encouraged, and so long as the settlement remained shut in by the Blue Mountains



pastoral development was difficult. But the crossing of the mountains in 1813 opened up the interior; pastoral expansion was now possible. In 1813 there were 50,000 sheep in New South Wales; in 1821 there were 290,000; in 1850 there were 13 million in New South Wales and Victoria, and nearly 3 million more in the rest of Australia.

External conditions were favourable. English woollen manufactures were expanding following the 'Industrial Revolution'; but the supply of English wool was failing. It was too coarse and too dear. The reduction of the duty on imported wool in 1824 opened the English wool market to the world. It had been filled by Germany, who after the Napoleonic wars had replaced Spain. Gradually the Germans were driven out in turn. In 1822 John Macarthur received a gold medal 'for importing into Great Britain wool, the produce of his flocks, equal to the finest Saxony.' By 1830 Australian wool was definitely established on the British market. In 1821 175,000 pounds of wool were sent to England; in 1826 over a million; in 1830 over two million; in 1834 four million. This was only a small fraction of the total English wool imports. But further expansion was inevitable as Australian flocks increased. In 1830 Australia supplied only ten per cent of English wool imports. In 1841, with 8 million pounds, Australia sent half as much again as Germany, and a fifth of the total supply; in 1850 came 39 million pounds, more than four times the German supply, and over half the total English imports. It remains to see how this expansion came about.

It will be remembered that the government was trying to concentrate settlement by restricting land grants. In 1829, Governor Darling defined 'limits of settlement,' beyond which no one could go; but it was soon obvious that these limits could not be maintained. 'I do not propose,' wrote Governor Bourke in 1833, 'to seclude settlers from the temporary occupation of tracts of country in the remote interior.'<sup>1</sup> Nevertheless, in 1835 he declared that squatters outside the

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<sup>1</sup> Bourke to Stanley, Nov., 1833; H.R.A., Ser. I, vol. xvii, p. 271.



limits—including those at Port Phillip—would be regarded as trespassers. But next year the settlement at Melbourne was recognised; and four years later the next Governor, Gipps, wrote that 'as well it might be attempted to confine the Arabs of the desert within a circle drawn on the sands, as to confine the graziers or woolgrowers of New South Wales within any bounds that can possibly be assigned to them.'<sup>2</sup> By this time the squatters had covered south-eastern Australia.

To the south they had followed the line of the Murrumbidgee, past Yass to Gundagai; by 1830 there were 15,000 sheep grazing on the river. Six years before, Hume and Hovell had crossed to Port Phillip; in 1829 Sturt followed the Murrumbidgee and the Murray to the sea. The squatters followed—Wagga, Wantabadgery and Tarcutta; Tumut and Monaro—all were occupied in turn.

In 1836 Mitchell set out to investigate the land south of the Murray. He crossed it, then the Loddon and Glenelg, and reached Portland, where he found the Hentys had settled two years before, having come from Van Diemen's Land. Returning, Mitchell passed Mount Alexander and Mount Macedon. The report of the 'Major's Line' spread like wild fire; squatters cramped in New South Wales set out for 'Australia Felix'—beautifully grassed plains, 'different from anything I had ever before witnessed, either in New South Wales or elsewhere—a land so inviting and still without inhabitants.'<sup>3</sup> From the huts of Batman's new settlement at Melbourne, founded in 1834, and from the interior of New South Wales the squatting army marched; by 1840 the best lands were occupied.

Meanwhile the trail had gone north as well. In 1823 Cunningham—botanist explorer—had found a way across the Liverpool Ranges through Pandora's Pass; in 1825 and 1827 he found the rivers of New England and the Liverpool Plains—the Gwydir, the Dumaresq, the Condamine—flowing through good pastoral lands. From the sea the Australian

<sup>2</sup> Gipps to Glenelg; H.R.A., Ser. I, vol. xxi, p. 127.

<sup>3</sup> Quoted, S. H. Roberts: *Squatting Age in Australia*, p. 131.



Agricultural Company was thrusting inland into the same area; their land grants gave them control of the Plains. On and on went the stockmen—to Armidale, to Tenterfield on the modern Queensland border, then in 1840 over the border to the Darling Downs, first penetrated by Cunningham in 1827.

In Queensland, in 1823, Brisbane had founded a convict settlement for bad characters, but freemen were banned from the area. Cunningham had found a way from the Downs to the sea in 1828; now this new area was to be filled. In 1839 the criminals were stopped; in 1842 free persons were officially admitted; by then there were 45 stations, sending 1,500 bales of wool to Moreton Bay.

But in 1850 the settlement of Queensland was still a matter for the future. This was just as well, for Victoria and New South Wales had by now all gone. The 'New Country' from Deniliquin up the Lachlan; the land round Dubbo, the Namoi and the Gwydir; the Darling Bend as far as Bourke, in New South Wales; the scrublands of the Loddon; the Wimmera; even Gippsland, in Victoria—all were attacked and filled. Outside, the 'sandy desert with its terrifying pallor of soil and vegetation,' Mallee scrub, barren ranges—that was all that remained.

What was the nature of this squatting occupation? At first the term 'squatter' was one of abuse. It referred to men who occupied Crown Lands without authority, and plundered nearby flocks and herds. They were vagabonds; often ex-convicts. They would help runaway convicts and bush-rangers, if they were not such themselves. According to the Governor, they were men who 'move from place to place as suits their convenience, and conceal their practices whilst they raise a property by committing depredations on the neighbouring flocks and herds; or by selling spirits and providing other inducements for thieving, gaming and every species of debauchery, seduce the servants of established settlers to assist in their lawless proceedings.'<sup>4</sup>

<sup>4</sup> Report of the N.S.W. Legislative Council Committee on Police and Gaols, 1835; quoted, Roberts: *op. cit.*, p. 74.



Soon the word changed its meaning. 'Gentlemen squatters' were heard of; it began to refer simply to anyone who held Crown Lands without title. 'The principal settlers are also the principal squatters—settlers, as to their own lands, squatters as to the Crown Lands they occupy.' Practically every 'respectable' citizen was now a 'squatter.' The criminal squatter was 'only following in the steps of the most influential and unexceptionable colonists, whose sheep and cattle stations are everywhere to be found side by side with the obnoxious squatter, and held by no better title,' wrote Bourke in 1835; but this title was preferred to a 'lawful one acquired at the slightest expense.'<sup>5</sup> Thus, a squatter was an inland grazier, holding land beyond the prescribed boundaries.

The squatter's life—unless performed by deputy—was a hard one. First, he had to find a 'run.' The squatter would go out with his flocks, his bullock-waggon and stores, in search of unoccupied land; maybe looking for 'a problematical gum tree, supposed to have certain Roman numerals cut into it many years previously.' The run did not have to be paid for, but the stock did. A common arrangement was the system of 'thirds,' by which a capitalist supplying stock would get a third of the profits.

Then had to be built huts and out-stations, and hurdles and yards for the sheep at night; for the time had not yet come when they could be safely left to pasture. Dogs, natives, convicts—their presence made necessary the constant watching of the flock. Normally the shepherd would look after 1,000 or more sheep by day, and bring them back to the yards at night. Outer parts of the run would be pastured from 'out-stations.'

Living conditions were primitive. A slab hut with a stringy bark roof, rough hinged flaps for windows, a mud floor, a packing case table; dust and mud; flies and mosquitoes; heat, fires and droughts; floods and cold—all these contributed to the hardships. Food was usually meat and

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<sup>5</sup> Bourke to Glenelg, Dec., 1835; H.R.A., Ser. I, vol. xviii, pp 230-1.



damper, with tea and sugar; milk was often unobtainable. There was little or no medical aid; if there was a doctor in the district, he would take long to reach his patient. 'I was suffering from a most excruciating, deep-seated whitlow on one of my fingers,' writes one early pioneer—Alfred Joyce,<sup>6</sup> 'and had to suffer it for a week . . . relief was afforded me by a friendly chemist, a visitor for the night, who lanced the finger for me; but a joint was lost through the delay. On another occasion I was thrown from my horse about two miles from home and dislocated an elbow and both wrists and sprained an ankle. In this state I crawled home, where I lay for three days before the doctor could reach me, but the dislocations were reduced in a few minutes when he did come.'

The human element would also be likely to cause trouble. Bushrangers were still at large<sup>7</sup>; petty-thieving was frequent. There might be boundary disputes with neighbours, for no boundaries were fenced, and their limits were subject only to a 'gentleman's agreement'—usually 'three miles per man.'<sup>8</sup> Sheep would stray or the flocks would get 'boxed' or mixed. Then 'all available hands from both stations would be mustered at the yards, and the smaller of the two flocks, probably about 1,000 sheep, drawn out by the leg. . . . If it was a hot day and the yard was old and dirty, we would be enveloped in a fine manurial dust, which, adhering to our perspiring faces, would give us more the appearance of black fellows than white men.'<sup>9</sup> No wonder the invention of 'an alley and swing gate' for drafting was welcomed!

Considerable labour was needed in the early days—for shepherding, droving, timber-splitting and hut-keeping went on all the year round; and seasonally shearing and lambing added further tasks. Joyce explains that a high lambing percentage 'was only obtained by taking turns to watch

<sup>6</sup> A. Joyce: *A. Homestead History* (ed. G. F. James), p. 89.

<sup>7</sup> See *ibid.*, chap. x, for an account of a 'hold-up' at the homestead by the notorious Captain Melville.

<sup>8</sup> See S. H. Roberts: *op. cit.*, p. 199.

<sup>9</sup> A. Joyce: *op. cit.*, p. 50.



the fold each night during the lambing, and placing each ewe, immediately before or after it had lambed, in a separate three-cornered hurdle pen. . . . These ewes were kept in their pens till about 10 or 11 o'clock the next day, when each lamb would then be thoroughly mothered. At night, when the shepherd brought his flock home, all lambs that were not well mothered were placed with their mothers in these separate pens, and the well mothered ones in a small yard by themselves. All this entailed an immense amount of labour.'<sup>1</sup>

Communications were bad; there were no roads, only bush tracks, and no bridges over any of the rivers. Traveling was by horseback; wool and stores must be sent by bullock-dray. But despite the conditions the business was profitable. Except at the height of the boom, about 1840, stock were cheap, with the run given in. Twelve shillings a head were paid for 3,000 ewes in 1835; later the price reached £1, but in 1843 it was down to five shillings. Wages were low, though they tended to rise as the shortage of labour became acute. After the slump of the 'forties, a married couple could be got for £20 a year, shepherds for £15, and hutkeepers for £12; shearers were paid 10/- a hundred. The price of wool was high in the 'thirties; in 1836 an average of 2/- a pound was recorded, though it slumped to 1/3 in 1841 and 1842, and to 1/1 in 1843. This fall brought a severe depression in Australia; but in the 'thirties profits were high and flocks grew rapidly, since there was little market for mutton, so that it seemed that nothing could stop the pastoral expansion.

The governors—unlike the British Government—were not very anxious to try. In 1827 Darling had begun to issue grazing licences for a fee of £1 per hundred acres; but this only applied to grazing land within the limits of settlement. Outside the boundaries, occupation was simply not recognised. This attitude naturally increased the evils of squatting, without stopping squatting itself. Bourke was anxious to control what he could not stop; for it would be 'beneficial

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<sup>1</sup> *Ibid.*; p. 63.



to establish a system of licence to occupy tracts of land either within or without the prescribed limits, in order to prevent pauper, free or freed men from squatting in such unlocated situations, to live by stealing livestock and other dishonest means.<sup>2</sup> Consequently, in 1836, grazing licences were issued for £10 a year, authorising the holder to graze stock over as much land as he pleased. Commissioners of Crown Lands were appointed to control the undesirable squatters, and with vague powers of settling boundary disputes and dealing with the aborigines. In 1839 this system was strengthened by the establishment of Border Police, to be paid by the proceeds of a poll-tax on stock. In 1840 6,664 persons, almost half of them bond, were living beyond the settlement boundaries, and running, from 673 stations, 350,000 cattle and 1,200,000 sheep. The pastoral movement had been recognised by the law; the 'boundaries of settlement' were smashed.

This development naturally brought prosperity. Capital poured into the colony faster than it could be used in legitimate business; land sales were heavy; immigration increased; prices soared. Speculation in land was enormous; all thought they were on the high road to fortune. 'Clergymen, too, often turn farmers and speculators,' wrote Sir George Grey, Governor of South Australia; 'medical men but rarely pursue their practice; soldiers abandon their calling; the Government officers are all virtually farmers and stockowners.' Five new banks were started between 1834 and 1840 to finance the boom; far too many for a community of 130,000. Luxury imports swelled. 'This was the age when the auctioneers lavished champagne and chicken on any who cared to attend their land sales . . . and when even bullock drivers were wont to break bottles of champagne into their buckets and swill . . . their *gentleman's brew*.'<sup>3</sup>

It could not last. A bad drought from 1837 to 1839 caused difficulties. This was followed by a fall in wool prices. The

<sup>2</sup> Sydney Gazette, July 16, 1835; quoted, Roberts: op. cit., p. 97.

<sup>3</sup> S. H. Roberts: op. cit., p. 227.



trading crisis in England reduced the imports of capital which financed the speculation. The bubble was pricked; the collapse was complete. The price of sheep fell to 1/-, even to 1/- a dozen in an extreme case, and one station sold 4,680 for £505; fat cattle were sold for 7/6; sixty-guinea horses for 18/-. 'Considerable numbers of workmen have been thrown out of employment,' wrote the Governor; 'wages are falling; and persons who have nothing but Colonial property (sheep, cattle, horses or lambs) wherewith to meet pecuniary engagements are driven in crowds to the Insolvent Court. Real property is scarcely saleable at any price; whilst chattel property, including sheep and horned cattle, may be generally said to have fallen to one-half, or even to one-third, of the price which it bore in 1840.'<sup>4</sup>

Why the crash? There had been a forerunner in 1827, after the introduction of a large amount of capital to finance the Australian Agricultural Company. This had caused speculation. 'No sooner had the existence of the Company been announced, and its operations commenced in earnest, than the sheep and cattle mania instantly seized on all ranks and classes of the inhabitants,' wrote the Rev. John Dunmore Lang; 'but it pleased Divine Providence to visit the colony in the midst of these speculations with an afflictive drought, the effect of which, combined with the natural result of the sheep and cattle mania, was to open the eyes of the colonists to their own folly and madness, to blast the golden hopes of thousands and to bring many families to poverty and ruin.'<sup>5</sup>

When capital imports ceased, the wherewithal to speculate vanished; speculation perforce stopped; inflated prices fell to a more normal level, and often even below it, because those formerly too optimistic were now too despairing, and people had to sell goods at any price in order to get money; men who had bought at high prices were ruined, and perforce their creditors fell with them.

In 1842 it was the same. The influx of capital from over-

<sup>4</sup> Gipps to Stanley, Aug., 1843; H.R.A., Ser. I, vol. xxiii, p. 84.

<sup>5</sup> Quoted, E. O. G. Shann: *op. cit.*, pp. 102-3.



seas, pastoral extension, and large-scale immigration, caused much speculation. The banks, competing for business, advanced too much credit. Loans were made on the security of land and livestock, which later became almost worthless; too much discounting was done for merchants. By 1843 discounted bills alone totalled £2.5 millions. The government at first helped by depositing with the banks funds from its land sales; later, when the banks were hard pressed for cash, the government increased their difficulties by withdrawing these sums. It had to do so; it now needed them to meet its own expenditure, for land sales had stopped; but it was bad for the banks—though not so bad as the banks' own discounting policy. When the slump was at its height, government expenditure fell more, owing to the effect of stopping transportation. In 1839 the Commissariat spent over £170,000 on convicts; in 1842 only £90,000, and in 1843 only £70,000—representing a heavy fall in the demand for goods of all kinds. Another blow came when the check on land speculation in South Australia<sup>6</sup> and pastoral development there deprived New South Wales stockowners of a market for their annual 'increase.'

Thus when the bubble was pricked, when lack of more capital stopped further developments, the pastoralists had nothing on which to fall back; the banks held worthless paper; bankruptcy was universal. The same train of events would recur in the future; over-expansion during a speculative boom, made possible by overseas capital; and widespread disaster when the supplies of overseas capital ceased, and the price of Australia's products fell.

Attempts were made to improve the position. Sheep and cattle could be boiled down for tallow; they were not absolutely valueless. Within a year there were 56 tallow houses in New South Wales. In 1840 20 tons were exported; in 1844 3,000 tons, worth £84,000, more than the wool clip of 1830. The Rev. Dr. Lang thought boiling down 'particularly offensive in the sight of heaven'; but it saved many a

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<sup>6</sup> See chap. vi.



squatter, and by 1850 two and a half million sheep and 260,000 cattle were going to the vats each year.

In 1843 Wentworth introduced important legislation in the Legislative Council of New South Wales. A new Insolvency Act was passed, allowing a debtor to continue to manage his property under a licence, whenever he was expected to be able ultimately to pay his debts. Later in the year an act was passed abolishing imprisonment for debt, for the first time in the British Empire!

Governor Gipps was very hesitant about assenting; but he did so, as 'no objection came.' Another act helped pastoralists to raise money on the security of 'their forthcoming clip of wool,' or by 'pledging or mortgaging their sheep or cattle.' This, too, was an innovation in English law; Lord Stanley feared its consequences. But it was inevitable in a pastoral economy. The squatter could not mortgage his land, for he owned none; he could not hand over the stock which he had to use in earning his living; he could only forestall his product—wool.

By 1844 the crisis was over. The banking panic had been checked. The Government had supported the workers' Savings Bank, and had ultimately increased the note issue. Prices and wages were low in the colony; wool in London, though low, rose from 11d. in 1844 to 1/3 in 1846. Bankruptcies were forgotten; and in January, 1844, Gipps could summarise the episode:<sup>7</sup>

'The real mischief is not that the Colony has too little Capital; but that it has had too much credit. Individuals have become too deeply indebted during the past eight or ten years to parties for the most part resident in England. That the Land Mania was an evil may be allowed; it was immediately caused by the eagerness with which capital was sent here for investment by companies as well as private individuals; but the Mania, whilst productive of many evils, has at least had the good effect of adding 50,000 souls to our population, and of changing . . . the whole character of the Colony.'

<sup>7</sup> Gipps to Stanley, Jan., 1844; H.R.A., Ser. I, vol. xxiii, p. 343.



Gipps did not add, though he might have done so, that the pastoralists were now ready to engage in a bitter struggle for what they regarded as their right—security of tenure on their lands.

In 1842 the squatters had no such security; they had no right to receive compensation for any improvements they might make, no right even to their homesteads. Consequently they made as few improvements as possible. They did not want to buy their land; they did not think that sheep-farming on such a basis would pay. They wanted to lease their land, for this would give security for a time at little extra cost.

Governor Gipps was sympathetic to the demand for security; but he thought that squatters should pay more than they did, for the Crown was not receiving its due. 'It is undoubtedly much to be desired,' he wrote, in January, 1844, 'that the Colonists, and even the squatters, should possess a fixed interest in some portion of the lands they occupy, for otherwise they will have no inducement to improve them; but it is by no means desirable for them to become proprietors of extensive tracts of land, which they have no means of improving.' He thought that squatting was inevitable and desirable, for if the pastoral land were to be purchased it would be worth little—'less per acre than the smallest coin in the country.' The squatting system allowed the Government to keep the price of land high, without injuring the community. But how could the squatters be given a permanent interest in some parts of the land they occupied?

Gipps' proposals were twofold. First, that squatters should obtain a separate licence (at a cost of £10) for each run; and no run was to exceed 20 square miles or carry more than 4,000 sheep. Secondly, they were to have the right of purchasing a homestead of 320 acres, at £1 an acre, after five years' occupation. This was to give security for the whole run for eight years. After that time, the purchase of another 320 acres would be necessary for security for another eight years, and so on. This meant, in fact, an

<sup>8</sup> Gipps to Stanley; H.R.A., loc. cit.



average payment of £40 a year for security of tenure. If the squatter did not purchase the extra land, someone else might do so; though in this case the squatter was to be given compensation for his improvements.

These proposals were made at an inopportune moment, when the squatter was still feeling the effects of the depression; otherwise they appear to be very fair. But the squatters were up in arms at once. A Pastoral Association was formed. Opposition was vehement in the new Legislative Council and in the Press, led by Wentworth and Robert Lowe. Petitions were sent to England; opposition was organised in the House of Commons. 'Too much for a purchase, too much for a lease, too much for a licence.' Men even talked of rebellion!

At first the home Government supported Gipps. But Stanley, the Colonial Secretary, resigned over the repeal of the Corn Laws in England. His successor was more favourable to the squatters' demand for a 'long lease.' In 1846 the Waste Lands Occupation Act was passed, which was brought into operation by the famous Order-in-Council of March, 1847. Three classes of land were defined. In 'settled' districts leases were to continue to be for one year only; in 'intermediate' districts for not more than eight years, though any part of the run might be put up for auction each year, so long as the squatter received the value of his improvements; in 'unsettled' districts leases were to be for not more than 14 years, and the squatter had a 'pre-emptive' right to buy his land. In addition, every squatter had to pay an annual tax of £2/10/- per thousand head of sheep.

This Act has been said to be a compromise. The right to turn squatters off their land certainly remained. But they had obtained a certain fixity of tenure and power of purchase, so that they had become 'privileged occupiers,' and the monopoly in land had been created, which was to vex Australian democracy for half a century. Robert Lowe, former opponent of Gipps, now turned on the squatters in



his 'Address to the Colonists of New South Wales on the Proposed Land Orders':<sup>9</sup>

'Once grant these leases, and beyond the settled district there will be no land to be sold—the lessees will have a right to hold their lands until someone will give £1 an acre for them. . . . Be the capabilities of these lands what they may, they are to be a sheep walk for ever! . . . The squatter may make sure of his run at the end of his lease by buying up . . . all the water-frontages, rendering it valueless to anyone but himself. . . . The price he has to pay for these privileges, counting three sheep to the acre, is a fifth of a penny per acre. Thus does a Government, which is so niggard of its land that it will not part with the fee-simple of the most barren rock for less than £1 per acre, while that £1-an-acre law remains in force, alienate millions of acres at a tenth of the rent which it received in the past on its free grants. 'The system devised for the protection of the waste lands will end in their confiscation.'

<sup>9</sup> Quoted, S. H. Roberts: *op. cit.*, p. 331.

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## CHAPTER VII: THE OUTER SETTLEMENTS

By the middle of the nineteenth century three other settlements had been made in Australia besides that of New South Wales and its pastoral offshoots. The oldest of these was in Van Diemen's Land, or Tasmania, as it was subsequently called. A colony was established on the Derwent in 1803, chiefly to forestall the French; next year it was joined by the party which under David Collins had failed in the first settlement on Port Phillip. Collins became Lieutenant Gov-



ernor of the colony in charge of 26 troops, 6 officials, 13 settlers, 178 convicts, and 46 women and children.

At first the struggle for existence was hard; agriculture was backward, clearing difficult, the settlers unskilled, the convicts disorderly, and bushrangers a menace. Armed sentinels had to protect the first wheat; rations were low. But further immigrants improved the position; by 1813 nearly 300 farmers were cultivating 2,000 acres; in 1819 8,000 acres were under crop, the population was 4,000 and there were 200,000 sheep in the colony. For a time Van Diemen's Land was the 'granary of Australia,' and exported wheat to Sydney. The growth of farming on the mainland eventually closed this market, but between 1828 and 1834 wheat exports were worth £190,000 and the cultivated area doubled.

In 1824 a chartered company—the Van Diemen's Land Company—applied for half a million acres, which was granted owing to the dire need of capital. For a long time the company was in difficulties; but its surveyors helped to explore the island; slowly it made headway, and declared its first dividend in 1837.

Meanwhile labour was coming to the colony through the increase of transportation. Between 1817 and 1824 only 5,000 convicts were sent; between 1830 and 1834, more than 10,000. By 1836 there were 26,000 freemen and 18,000 convicts in the colony. Comparing the situation with New South Wales, Tasmania had half the population of the older colony in 1830, only one-third in 1840; half the wool export in 1830, only two-fifths in 1840; but both colonies had about the same area under cultivation, and total Tasmanian trade remained about half that of New South Wales during the decade. For a time Tasmania had prospered, 'while flocks multiplied, while the whale fisheries returned increasing income, while the mainland needed surplus wheat and other cereals, while the system of land grants was maintained.'<sup>1</sup> There was a boom from 1829 to 1832, while New South Wales suffered from drought; but the land regulations of

<sup>1</sup> B. Fitzpatrick: *op. cit.*, pp. 66-7.



1831, which stopped the system of free land grants, put an end to it. By this time excessive grants had tied up the land of the colony; labour was increasingly supplied by convicts; by 1846, apart from emancipists and ex-convicts, there were 30,000 prisoners out of a total population of 66,000; the island had become no place for small free settlers. They looked to the mainland, and after 1834 began to settle in Victoria, spreading inland from Portland and Port Phillip.

The colony of Swan River in Western Australia was also in difficulties in the 'thirties. The first Western Australian settlement was also founded in order to anticipate the French—at King George's Sound, Albany, in 1825; but favourable reports in 1827 from Captain Stirling, R.N., and a botanist named Frazer, led to a new free settlement at Swan River being made by a body of capitalists headed by Thomas Peel. They proposed to settle 10,000 persons, with equipment, in four years at a cost of £30 a head; they were to be paid by a grant of four million acres—being at the rate of  $1/6$  an acre. This grant was soon reduced; Peel was to have a first choice of 250,000 acres wherever he wished if he landed 400 settlers in 1829; thereafter he could claim a further 750,000 acres if he invested more capital; any settler emigrating before 1830 was to receive a grant of 40 acres for every £3 of capital invested; the Governor, Stirling, was to have 100,000 acres instead of a salary.

The settlement began in 1829; but there was no 'emigration fund' to finance emigrants. High hopes were held out; but the first settlers met with many hardships and disappointments. The land was less fertile than expected, and the good land was speedily taken up. Clearing was very difficult owing to the exceptionally hard timber; even provisions were short. The settlers expected too much—to 'find inns, turnpike roads, smiling orchards, and cornfields in a country untrod by civilised man'—and they found very little. The population fell from 4,000 in 1830 to 1,500 in 1832. Labour was scarce, for the indentured servants were useless—'idle, disobedient or drunken.' Peel proved himself hopelessly in-



competent and lost everything. He spent £50,000 in landing 300 persons; but in 1841 he was 'living in a miserable hut . . . covered with rushes. Everything about him shows the broken-down gentleman—clay floors and handsome plate, curtains for doors and pianoforte, windows without glass and costly china—hardly any utensil put to its proper use—odd cups and saucers, coffee in a mug, a handsome china bowl for washing, and as a ewer a toby-fill-pot beer jug; the only looking glass the size of a hand, and a whole pig hanging on the verandah.'

For the failure of the colony Wakefield blamed the land system. Grants were too big, so much remained uncultivated, and labourers, easily able to acquire land, would not work. This criticism was partly true. In 1830 more than one million acres had been granted; only 160 cultivated. The settlers were scattered and unable to help one another. Capital was insufficient. Government expenditure was low, so that few public works were started, and there was little assisted emigration. In 1831 the system of land sales was introduced, as in the other colonies; but the land already granted was a drug on the market; little was bought and no emigration fund was created. The population grew very slowly; in 1848 it was only 4,600; not until transportation was begun in 1849 was there any real progress.

This failure spurred Wakefield and his followers to try their hand in a fresh colony in South Australia. After some difficulty the South Australian Association was formed 'to found the colony,' but not to govern it. An Act was passed dividing authority between a Governor responsible to the Colonial Office, and Commissioners who were to raise revenue by loan or sales of land, so that the disposal of land and raising revenue were outside the control of the Governor. This division of control was the cause of much future trouble, especially as the Commissioners were 'ignorant and careless amateurs.'

The first regulations announced £1 an acre as the price of land, but investors could buy one city acre for every 80



country acres; later, as a further stimulus, the price of land was temporarily reduced to 12/- an acre, thus offering a bonus for preliminary purchasers. This price was uniform and fixed; there was no sale by auction; it was pure 'Wakefieldism.' A South Australian Company was floated by G. F. Angas with a capital of £320,000 to buy land and develop the colony. This venture was remarkably successful, and though South Australia was never a 'company colony,' the Company did much to open up the colony, bring stock, and assist immigration.

Meanwhile the first governor—Sir John Hindmarsh—had quarrelled with the 'Resident' Commissioner; there were disputes over the cost of surveying; the English Commissioners sent out insufficient equipment, and Hindmarsh was compelled to draw bills even for necessities—bills which the Commissioners refused to pay.

In 1838 Governor Gawler arrived. He too was forced to increase expenditure on surveying and draw bills for Government expenditure; and he believed a liberal government expenditure was necessary. At first he was supported; by 1841 500,000 acres were surveyed and 7,000 acres under cultivation; there were 15,000 people, with 200,000 sheep and 15,000 cattle in the colony. But Gawler's drafts were now £270,000 greater than the 'land fund'; the Commissioners refused to raise a loan; they ran to the Government for assistance, and though this was ultimately given, Gawler was disgraced. He was succeeded in 1841 by Sir George Grey, who was instructed to exercise rigid economy.

Gawler's defence was strong. 'The Commissioners were desirous to form a fine colony, and abstractedly (*sic*) they were willing to authorise the measures necessary to accomplish their end, but they did not calculate the cost . . . nor had they any adequate conception of the difficulties arising from the state and requirements of a new and large community suddenly collected and planted in an unexplored wilderness.'<sup>2</sup> Nevertheless he had borrowed with a lavish

<sup>2</sup> Quoted, R. C. Mills: *Colonisation of Australia*, p. 250.



hand, and his spending helped to concentrate the population near Adelaide, and led to the neglect of agriculture and the mania for speculation. But the hope that the colony would 'cost nothing,' that the expenses of government and emigration would be met by revenue from land sales, and loans on the security of future revenue—this hope was not fulfilled.

Grey reduced expenditure from £150,000 to £40,000 a year. He stopped public works, thereby causing unemployment. But the colonists then turned to agriculture; labour was cheap and progress rapid. In 1842 the colony was brought under the Colonial Office; the sale of lands was regulated by the same Imperial Act that applied to the other colonies, and one-half of the revenue was used to assist emigration.

How far was the failure and success due to Wakefield? For the divided government he was not responsible. He criticised the first price of land as too low; to this he blamed the early difficulties of the colony—too much land was bought. His plan of using land revenue to assist emigration was conspicuously successful; 16,000 people had quickly been established in unsettled country, though they were helped by the fine quality of the land—in contrast, for example, to that near the Swan River.

By 1850 the settlements in Australia were firmly established. Even Western Australia, after her bad start, and Queensland, last in the field, were progressing satisfactorily. The total population was over 400,000—189,000 in New South Wales, 76,000 in Victoria, over 60,000 in South Australia and Van Diemen's Land; half a million acres were being cultivated; sixteen million sheep and two million cattle were grazing; imports and exports were each worth about £3,500,000. Comparing the colonies, Van Diemen's Land led in farming, with 169,000 acres under cultivation, while New South Wales had 146,000 acres and South Australia 65,000 acres. 'Per head of population, Van Diemen's Land had two and a half acres under crop, South Australia more than an acre, New South Wales three-quarters and Victoria two-



thirds of an acre. Hence the two most important colonies, growing far short of their own breadstuff requirements, afforded a market for the farm produce of Van Diemen's Land and South Australia. . . . But . . . New South Wales and Victoria between them depastured four-fifths of the flocks in Australasia—in Victoria seventy-nine sheep ran per head of population, in New South Wales thirty-seven, in Van Diemen's Land twenty-six.<sup>3</sup>

This development had brought with it political advance. After being granted limited self-government in 1842, the colonies were given greater powers in 1850. At this time Earl Grey refused to give the full self-government which the colonies demanded. But his successors at the Colonial Office were more yielding; in 1854 and 1855 the colonies—except Western Australia—attained fully responsible self-government; it was colonial statesmen who had to solve the problems of the future—caused by the growth of democracy, by the locked land and by the discovery of gold.

<sup>3</sup> B. Fitzpatrick: *British Empire in Australia*, pp. 137-8. New South Wales had 7 million sheep, Victoria 6 million. Van Diemen's Land nearly 2 million, South Australia 1 million. New South Wales also had 1,400,000 cattle.

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#### GOVERNORS OF NEW SOUTH WALES.

1788	Captain Arthur Phillip, R.N.
1792	Major Francis Grose (Lieutenant-Governor).
1795	Captain William Paterson (Lieutenant-Governor).
1796	Captain John Hunter, R.N.
1800	Captain Philip Gidley King, R.N.
1806	Captain William Bligh, R.N.
1808	Lieut.-Col. George Johnston (Lieutenant-Governor).
	Major Joseph Foveaux (Lieutenant-Governor).
1809	Lieut.-Col. William Patterson (Lieutenant-Governor).
	Colonel Lachlan Macquarie.
1821	Sir Thomas Brisbane.



- 1825 Sir Ralph Darling.  
 1831 Sir Richard Bourke.  
 1838 Sir George Gipps.  
 1846 Sir Charles Fitzroy.

# SECRETARIES OF STATE FOR WAR AND THE COLONIES.

- |      |  |  |
|------|--|--|
| 1783 | Lord Sydney.   | } Secretaries of State for the Home Department, in charge of colonial administration in Pitt's Ministry. |
| 1789 | W. W. Grenville.   |  |
| 1791 | H. Dundas.   |  |
| 1794 | The Duke of Portland.  |  |
| 1801 | Lord Hobart—the first Secretary of State for War and the Colonies—in Addington's Ministry.       |  |
| 1804 | Lord Camden<br>Viscount Castlereagh  | } in Pitt's Second Ministry.   |
| 1806 | William Wyndham—in the Coalition Ministry of "All the Talents."                                  |  |
| 1807 | Viscount Castlereagh—in Portland's Tory Ministry.  |  |
| 1809 | Earl of Liverpool—in Perceval's Tory Ministry.   |  |
| 1812 | Earl Bathurst—in Liverpool's Tory Ministry.  |  |
| 1827 | Viscount Goderich (afterwards Earl of Ripon) in Canning's Liberal-Conservative Ministry.         |  |
|      | William Huskisson—in Goderich's Liberal-Conservative Ministry.                                   |  |
| 1828 | William Huskisson<br>Sir George Murray   | } in Wellington's Tory Ministry.   |
| 1830 | Viscount Goderich (created Earl of Ripon, 1833)—in Grey's Whig 'Reform' Ministry.                |  |
| 1833 | Edward Stanley (afterwards Viscount Stanley and Earl of Derby)—in Grey's Whig 'Reform' Ministry. |  |
| 1834 | T. Spring Rice—in Grey's Ministry and first Melbourne Ministry.                                  |  |
| 1835 | Earl of Aberdeen—in Peel's first Conservative Ministry.  |  |
|      | Charles Grant (created Lord Glenelg, 1835)—in Melbourne's second Whig Ministry.                  |  |
| 1839 | Marquis of Normanby—in Melbourne's second Whig Ministry.   |  |
|      | Lord John Russell (afterwards Earl Russell)—in Melbourne's Ministry.                             |  |
| 1841 | Viscount Stanley—in Peel's second Conservative Ministry.   |  |
| 1845 | William Ewart Gladstone—in Peel's Ministry.  |  |
| 1846 | Earl Grey—in Russell's Whig Ministry.  |  |

# CHRONOLOGICAL TABLE OF PRINCIPAL EVENTS.

- 1788 Arrival of 'first fleet' in Port Jackson.  
 1790 Arrival of 'second fleet'; landing of New South Wales Corps.  
 1793 Arrival of first free immigrants.  
 1794 Establishment of settlement at Hawkesbury River.



- 1796 Discovery of coal at Newcastle.
- 1797 Introduction of 'merino' sheep.
- 1800 First export of coal.
- 1801 First colonial manufacture of blankets and linen.
- 1802 Discovery of Port Phillip (Vic.), Spencer and St. Vincent Gulfs (S.A.), Port Curtis and Port Bowen (Q'land).
- 1803 First Australian wool sent to England. First settlement in Tasmania.
- 1805 Macarthur established sheep farm at Camden.
- 1808 'Rum Rebellion': deposition of Governor Bligh.
- 1813 Blue Mountains crossed by Blaxland, Lawson and Wentworth.
- 1815 Francis Howard Greenway appointed Inspector of Public Works.
- 1817 Bank of New South Wales chartered.
- 1819 Investigation of the condition of New South Wales by Commissioner John Thomas Biggs.
- 1822 Gold medal presented to Macarthur for his wool.
- 1823 First Legislative Council established in New South Wales. Cunningham crossed Liverpool Ranges. Convict settlement at Brisbane.
- 1824 First land sales (as opposed to grants).
- 1825 Australian Agricultural Company chartered.
- 1827 Issue of grazing licences to pastoralists. Cunningham reached Darling Downs.
- 1828 Increased powers granted to New South Wales Legislative Council.  
Master and Servants Act (N.S.W.).
- 1829 Settlement at Swan River (W.A.).  
Publication of 'A Letter from Sydney' by Edward Gibbon Wakefield.
- 1831 'Ripon regulations' re sale of land in New South Wales.
- 1832 London Emigration Committee established.
- 1835 Foundation of Melbourne. 'Bounty' system of emigration. Minimum price of land raised from 5/- to 12/- per acre (N.S.W.).
- 1836 Foundation of Adelaide. Appointment of an official Agent for Emigration in London. Mitchell's expedition across the Murray to 'Australia Felix' in Victoria. Issue of grazing licences.
- 1839 Establishment of Border Police.



- 1840 Cessation of transportation to New South Wales.
- 1842 Discovery of copper at Kapunda (S.A.); Australian Land Sales Act; minimum price of land raised to £1 per acre in all colonies; admission of non-convicts to Queensland; 'representative' constitution in New South Wales; severe economic depression.
- 1843 Insolvency Act (N.S.W.); abolition of imprisonment for debt (N.S.W.); Lien on Stock Act (N.S.W.); use of Ridley's stripper (S.A.).
- 1844 Gipp's Land Purchase Regulations (N.S.W.).
- 1846 Waste Lands Occupation Act.
- 1847 Orders-in-Council under Waste Lands Occupation Act.
- 1851 Separation of Victoria and Tasmania from New South Wales. Widespread gold discoveries in New South Wales and Victoria.



## PART II: SIX COLONIES

### CHAPTER VIII: GOLD

On April 3, 1851, occurred the event which was to change radically the character of the Australian colonies and to hasten tremendously their development. Edward Hammond Hargreaves officially notified the Colonial Secretary of New South Wales that he had discovered gold near Bathurst. Hargreaves had had his forerunners. Indeed, as the *London Times* wrote in 1854: 'The mineralogical Columbus has already taken a mythical shape, sometimes assuming, according to the varieties of the legend, the form of a German Count, sometimes of an English Knight, sometimes of a Californian miner, sometimes of a Botany Bay convict, and sometimes of an orthodox divine of the Church of England.'<sup>1</sup> But the early discoveries had been hushed up. When Count Strzelecki mentioned his finds to Governor Gipps, the latter remarked that if it were known, 'transportation would become a premium on crime and cease to be a punishment'; to the Rev. W. B. Clarke, who found gold near Lithgow, the Governor said 'Put it away, Mr. Clarke, or we shall all have our throats cut.' The convict who found a nugget while at work in 1823 was flogged.

Hargreaves' news was differently received. For since 1849 there had been considerable emigration from New South Wales to the goldfields of California. The discovery of gold in Australia would stop this and attract fresh immigrants. In fact, there was an immediate rush to New South Wales from the other colonies. To stop it the Victorian Government on June the 9th offered a reward of £200 for the discovery of gold within 200 miles of Melbourne. It was claimed next day. By the end of the year (1851) rich fields near Ballarat and Bendigo, as well as other minor discoveries,

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<sup>1</sup> Quoted by G. R. Portus: *The Gold Discoveries*, chap. ix in the *Cambridge History of the British Empire*, vol. vii, p. 243.



made Victoria, not New South Wales, the magnet for the diggers.

They rushed to the fields. At first Melbourne and Geelong were almost abandoned. Ships lay deserted in the bay. Fabulous stories were passed round. 'A man obtained 80 lb. weight of gold in one hour.' Another 'filled a quart pot in a day, with a penknife as his only tool.' Men lit their pipes with bank notes, though they were probably drunk. Gradually sanity returned. Perhaps more was to be made by catering for the diggers than by digging oneself. As the 'diggings' were 'prohibition' areas, a 'sly-grog' trade quickly sprang up, and more legitimate trading profits could readily be made.

Professor Portus gives a graphic description of conditions in the mining camps, of 'the long lines of washers and rockers beside the streams; the field honeycombed with claims in all stages of excavation; the eager, feverish toil of men not now working for a master, but working for themselves; the Commissioner's tent beneath its flag; the constant altercation of police and diggers . . . over licences. Nightfall was heralded by the 'cease-work' gun . . . and the twinkle of a thousand fires reddening against the dusk; the lethargy of meal-time was followed by a gradually rising chorus of relaxation—a group sentimentally singing songs of its homeland, the noisy discord of a gambling dispute, or drunken brawling and shouting.'<sup>2</sup>

Despite sly-grog and the conditions of camp life, the diggings were remarkably orderly. 'Harlots, swindlers, sneak-thieves, cheats' were there—inevitably. 'There was the carcase, and there the eagles gathered'—to prey upon 'the foolishness of the unfortunate and the despondency of the unsuccessful.' But 'Judge Lynch' did not haunt the camps; the Sabbath was well observed. The police were evaded—not attacked. But one cause of discontent there was—the Digger's Licence.

<sup>2</sup> Ibid., p. 252.



All miners had to obtain a licence to dig; successful or unsuccessful had to pay 30/- a month. A tax on the export of gold would have been more equitable and produced more revenue. The licence fee revenue was insufficient. Government expenditure was increasing with the growing population. But the Legislative Council rejected the proposed export tax; the Governor tried to double the licence fee, but the uproar was so great that this proposal was withdrawn. Agitation against the existing licence grew. In December, 1853, it was reduced to £1 a month or £8 a year. In 1854 there occurred the famous 'Eureka' riot on the Ballarat fields—due immediately to the acquittal of an ex-convict hotelkeeper, accused of killing a miner. But the real reasons were the various grievances of the miners over the licences. The rising was not very serious, but a Royal Commission was appointed to inquire into the men's complaints. Next year (1855) 'miner's rights' were substituted for the hated licences—rights which cost £1 a year and which gave the holder a vote; an export duty of 2/6 an ounce was imposed, and local courts were set up on the goldfields.

But by now the character of gold-mining had changed. True, in 1856, the Victorian exports (2.9 million oz.) were as great as ever; but thereafter there was a steady decline to 1.5 million ounces in 1865.<sup>3</sup> The number of gold miners rose from 19,300 in 1851 to about 150,000 in 1858; thence there was a steady decline to about 80,000 in 1865. Average earnings per miner fell from £263 in 1852 to £69 in 1858. There was still much alluvial mining; but the *surface* alluvial deposits were exhausted. Company mining was beginning, but few companies were yet crushing the quartz. Nevertheless equipment per man was increasing; in 1859 it was worth less than £8 a man; in 1865 it was worth over £23 per man; and in 1865 sixty per cent of the miners were working for wages. But there were more than twice as many

<sup>3</sup> These figures are Brough Smyth's *Mining and Mineral Statistics* (1866), given in B. Fitzpatrick: *op. cit.*, p. 161. G. V. Portus (*loc. cit.*) quotes Sir T. Coghlan's figures (*Labour and Industry in Australia*)—£16 million in 1852; £14 million in 1854; £7.9 million in 1861.



company alluvial miners as company quartz miners—the day of the latter was not yet. Many of the remaining independent alluvial miners were Chinese—36,000 in 1857 and 21,000 in 1865.

The gold discoveries naturally had a big effect on immigration and transportation. It is true that transportation to New South Wales had ceased in 1840; but it continued to Van Diemen's Land, and in 1850 the settlers of Western Australia asked for convicts to relieve the labour shortage; they were 'sent out' till 1867. Assisted immigration had been suspended during the financial crisis of 1842. But Great Britain was still troubled with her 'paupers,' and the colonies were expected to be useful in receiving them—in 1843 they were nearly ten per cent of the population of England and Wales. Since 1841 the trade depression in England had increased the number by a quarter of a million; and emigration had fallen off. English statesmen felt they had to do something.

First came suggestions that transportation be recommenced in one way or another. It was proposed that short-term convicts who had been in the 'reformatory' prisons of Pentonville should be sent out on 'conditional pardons.' Between 1844 and 1849, 1,727 such 'exiles' had been sent to Victoria from England. Van Diemen's Land, the only colony receiving convicts proper, was being swamped; so in 1845 it was proposed to establish a new convict settlement in Northern Australia. Gladstone<sup>4</sup> suggested that men might be sent to labour on public works in New South Wales. The pastoralists were inclined to agree owing to the shortage of labour. But popular opinion was very hostile throughout Australia. The new Secretary of State, Earl Grey, emphasised the difference between this 'reformatory' scheme and earlier transportation. The colonists were not impressed; they thought it would be most injurious to the 'moral, social and political advancement of the colony'; they thought it a

<sup>4</sup> Secretary of State for Colonies, 1846.



breach of faith by the mother country; they even suggested that, if transportation were to be persisted in, the day was 'not far distant when their angry and forcible separation' from Great Britain would take place, for 'so sure as the seed will grow into the plant, and the plant to the tree, in all times and in all nations, so will injustice and tyranny ripen into rebellion, and rebellion into independence.'

The colonists, helped by gold, had their way. 'Considering the facilities with which conditional pardons are obtained, there are few English criminals who would not regard a free passage to the gold fields . . . as a great boon,' pointed out the Anti-transportation League; and in 1852 transportation, except to Western Australia, was finished.

The gold discoveries naturally caused a great increase in free immigration. In the late 'forties, after the recovery from the depression, assisted immigration had been resumed. From 1848 to 1851 nearly 35,000 persons were assisted to Australia, and over 10,000 came unassisted. For the whole decade 1840-1850 the population had increased by over 200,000. But between 1850 and 1860 the increase was 740,000, bringing the total to over a million. New South Wales increased from 187,000 to 350,000—nearly double; Victoria from 77,000 to 540,000—a sevenfold rise. To Victoria alone, in 1852 and 1853 came over 100,000 persons from overseas, as well as many from the other colonies. Assisted immigration did not cease. From 1851 to 1860 the New South Wales Government helped nearly 70,000 migrants; over 50,000 migrants were assisted to Victoria; the same number to South Australia; 1,700 to Tasmania; and even to Western Australia went 3,400 assisted and 840 unassisted migrants. Such was the labour shortage that attempts were made, unsuccessfully, to 'bind' these people to labour under contract, particularly in New South Wales and South Australia. But the assisted migrants were overshadowed by the flood of fortune-seekers who came unassisted. By 1860 the policy of assisted migration was decaying—at least for the time being.



Naturally not all the migrants went to the goldfields; nor were all who did so diggers. The latter had to be fed and clothed and (even if primitively) housed. The population of Melbourne grew to 140,000 in ten years, and became a flourishing commercial centre. But in the early days of the diggings the labour shortage was acute. Wages and prices soared as the following table shows:—<sup>5</sup>

COMPARISON OF CERTAIN PRICES AND DAILY WAGES  
IN AUSTRALIA, 1850-3.

	1850.						1853.					
	Melbourne		Sydney		Hobart		Melbourne		Sydney		Hobart	
	s.	d.	s.	d.	s.	d.	£	s.	d.	£	s.	d.
Bricklayer . . .	4	6	4	6	6	0	1	5	0	0	15	6
Carpenter . . .	4	6	4	6	5	0	1	5	0	0	12	6
Stonemason . . .	4	6	4	6	6	0	1	10	0	0	16	0
Bread (4 lb.) . .	0	6	0	7	0	10	0	1	1	0	1	2
Meat (lb.) . . .	0	2	0	1½	0	3½	0	0	6	0	0	3½
Butter (lb.) . . .	1	3	1	3	1	3	0	3	0	0	1	5
Potatoes (cwt.) .	6	0	7	0	3	6	1	10	0	0	13	0

Though the squatters were badly hit by the high wages and high prices, they quickly adapted themselves to the new conditions. The runs were fenced, so that shepherds were needed no more—only a few boundary riders. The price of mutton and cattle increased with the great number of fresh mouths to feed. The number of cattle in Australia rose from 2 million to 2,900,000 between 1851 and 1881. Better roads reduced the cost of transport; ships returning to Europe almost empty after bringing out goods and migrants to the gold fields would carry wool at a low freight. Moreover, wool prices in Europe rose also; the average value of the New South Wales clip was 1/1 a pound in 1851, 2/2 a pound in 1861. Wool exports rose from 30 million pounds in 1851 to 35 million in 1861; its value increased from £1.5 millions to £3.5 millions. Dairying and vegetable growing became profitable. As Mr. Joyce, of Norwood, wrote,<sup>7</sup> 'Caroline is doing very extensively with her dairy; we are milking seven cows and make fourteen pounds of butter per week.'

<sup>5</sup> B. Fitzpatrick: *op. cit.*, p. 157.



The butter is sold at 3/- per lb. and the milk for 2/- a quart; eggs are 8/- a dozen. The dairy and poultry are bringing in £5 a week at the present time. I have gone to a little expense in laying out a vegetable garden. I have a man at 30/- a week constantly employed. . . . I expect, besides having plenty of vegetables for ourselves, to be able to clear the gardener's wages twice over by selling the surplus to the diggers; . . . cabbages are 1/6 to 2/- each, lettuces 1/-, and turnips about 3/- per bunch of six or eight.<sup>6</sup>

Agriculture, after an initial setback, was also stimulated by the increasing population. In 1850 the area cultivated was about 500,000 acres; in 1852 only about two-thirds of this was still under crop, such was the scarcity of labour; but by 1858 over a million acres were being cultivated. In 1857 there were in Victoria nearly 8,000 farmers employing 15,000 labourers, compared with only 3,200 employing 4,300 labourers in 1854. Likewise wages had fallen again; in 1857 unskilled labourers earned about 8/- a day and skilled men 14/- or 15/- compared with 15/- and 35/- to 45/- a day three years earlier. Coal mining had a similar experience; a short-lived decline when gold was discovered, then the return of the miners to the coal fields, so that output rose from 70,000 tons in 1850 to 370,000 tons in 1860 to cater for the needs of the growing community. The influx of population, especially after the decline of the diggings began and wages had fallen, encouraged a few manufactures—farm implement factories, breweries, tanneries, brickyards and sawmills—particularly in Victoria. There, in 1861, were 401 factories employing 3,830 persons. Sugar refining increased. But on the whole it was cheaper for the colonies to produce gold and buy their manufactures rather than manufacture themselves. The budding woollen cloth industry died out. More important than manufactures were the growing commercial businesses, government services and public works. Ten banks were founded between 1850 and 1866. There was much commercial speculation. For a time goods became

<sup>6</sup> A. Joyce; *op. cit.*, p. 144. Before the gold discoveries wages for unskilled labour were about 5s. per week (*ibid.*, p. 41).



unmarketable owing to excess supplies, and in 1854 occurred another severe commercial crisis—especially in Victoria. But this quickly passed. The value of English exports to Australia more than quadrupled in the decade; per head the colonist bought goods worth twice as much—£8 worth in 1841-50; £19 worth 1851-60; from 1855-9 the average Victorian bought imports worth £36.

The principal public investments were in communications. Melbourne, Sydney and Adelaide were connected by telegraph in 1858. Railway building—with different gauges—was begun in all the colonies. In 1854 Melbourne had a railway to its port—at a cost of £190,000 for two miles; Adelaide had the same in 1856; New South Wales opened 13 miles of the Sydney-Goulburn line in 1855; in Australia as a whole, by 1859, 171 miles of line were opened. In 1858 the Victorian Government borrowed £8 million for building railways; at the same time 6,500 men were working on the roads.

These outlets—industry, commerce, public works and some agriculture—were insufficient for the displaced miners. They had a vote. Miners' rights had always qualified for the franchise. Responsible government had been introduced in New South Wales, Victoria, and Tasmania in 1855, in South Australia the following year, and in Queensland in 1859. Manhood suffrage and vote by ballot quickly followed. Political power was in the hands of the people.

Economic power was not. Until 1850 government had been by squatters, for squatters; and the squatters had secured their control of the land. As the digger turned his back on the gold field, he cast covetous eyes on this land. He wanted employment. So the crux of the problem was this. Few could farm while the bulk of the land was kept for sheep; gold mining now needed fewer men, and the pastoralists themselves were employing fewer men as they fenced their runs. The labourer could get temporary work



fencing the squatters' holdings against himself, or building mansions for the successful. Public utilities could offer a little. But fundamentally employment could most easily and profitably be found on the land—if it were made available. The squatters' hold—not yet freehold—must be broken, and Australia settled with small farmers. Plenty of Australia is not suitable for small farmers. But some of the country then held by the squatters was, or at least so it was thought; and this the farmer meant to have. The stage was set for the coming struggle—to unlock the land!

#### READING:

- Cambridge History of British Empire, vol. vii, part i, chap. ix; G. R. Portus: *The Gold Discoveries, 1850-1860*.  
 A. Joyce: *A Homestead History*, part ii.  
 B. Fitzpatrick: *British Empire in Australia*, chap. iv.

## CHAPTER IX: LAND

Land in plenty, though mainly held by squatters on lease; ex-miners seeking employment; democratic governments. With these conditions existing in nearly all the colonies in the 'sixties, the coming struggle could readily be foretold, and their outcome might be guessed—legislative victories for the rights of the small settler, who, with the aid of the law, hoped to be able to drive out the squatter. Land laws were passed to help the farmer; but the squatter stayed, though he changed his legal status. For laws passed in order to make it easy for the poor to buy land also made it easy for the rich; hence the pastoralist gained a firmer title. In vain did legislators try to set up a 'prosperous yeomanry.' Economic and geographical conditions were unsuitable except in certain parts of Victoria and South Australia. The example of the United States Homestead Act might be cited, giving 160 acres freehold to any settler. But Australia is not the United States. Conditions in most of the country favour the sheep farmer, not the wheat grower; and economic facts have a



habit of upsetting the best laid plans of mice and men—including politicians.

After several years of political manoeuvring the New South Wales Parliament passed in 1861 two Acts—the Crown Lands Alienation Act and the Crown Lands Occupation Act. The first permitted anyone, of any age or sex, to select between 40 and 320 acres of Crown Land anywhere in the State for £1 per acre, one-quarter to be paid in cash and the balance within 3 years. Nominally the selector had to reside on his selection, and make improvements worth £1 an acre; but these conditions were often evaded. At the same time the older system of sale of Crown Land by auction for cash, but without conditions, at a minimum price £1 an acre, was continued for those who preferred it. Any purchaser (either by auction or on condition of residence) could have for grazing a 'pre-lease' of three times the purchased area, which could be 'selected,' or sold by the Crown, at any time, but which had preference over a squatting lease.

The squatter, by the second Robertson Act,<sup>1</sup> was still able to lease his run; but the leases were reduced to a maximum of five years (one year in what were termed 'first-class settled districts,') and rents were to be fixed by Land Commissioners; in 1865 they were nearly doubled. But these runs were open to 'selection' at any time, though the leaseholder had a pre-emptive right to buy part of his lease which he had 'improved,' and he could buy four times as many acres as he had spent pounds on improvements.

These various provisions stood the squatter in good stead. He could 'select' land himself or through his 'dummies'—children or station hands or even people from the asylums—and 'pre-lease' three times the area of these selections. He could pick by 'peacocking' key points on his run, such as water holes; thus he would gain freehold rights over these points and make the rest of his run useless to anyone else. He could buy parts of his run at auction, and part through

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<sup>1</sup> i.e., The Crown Lands Occupation Act. Sir John Robertson was the Premier of the Government which introduced this legislation.



the right of pre-emption given in return for 'improvements.' He might even buy areas 'pre-leased' by selectors—and a selection lacking surrounding grazing land was very difficult indeed to make a success.

But if the squatter could thus fight for his land against the selector, he had his own troubles. 'Dummies' could work against the squatter as well as for him; blackmailers as well as the squatters could practise 'peacocking'—particularly as the condition of residence was not strictly enforced. The acts perhaps were 'framed for honest men and not for rogues'; but rogues there were in plenty who were ready to take advantage of them. In defence honest men became rogues; the law made 'perjury a commonplace incident in the lives of thousands of people.' Moreover, the small farmer in New South Wales was faced with geographical difficulties. The farming districts were far from Sydney, and communications were still bad; wheat and other crops are more expensive to transport than wool, so that agricultural development had to wait for the coming of the railway. After 1890 there would be a rather different story. But for thirty years the area under cultivation increased very slowly; there was certainly no agricultural revolution. In 1861, 19,000 occupiers farmed 300,000 acres; in 1884, 40,000 occupiers farmed 700,000 acres. But if 21,000 farmers had been settled, 23 *million* acres had been sold, and less than two per cent of this area was under crop. In a few areas, where the land was unsuitable for sheepfarming, genuine settlement had progressed—in the dairying and maize growing districts of the South Coast, the maize and sugar growing areas of the northern rivers, and 'the mixed farming' districts of New England, though even here 4,405 selections had been consolidated into 1,560 by 1883. But in the huge central district on the Western Slopes, along the Murrumbidgee and in the Riverina—natural pasture-lands—the squatter triumphed, as was inevitable. He had the financial resources to buy his run—especially after the long period of drought in the 'sixties was over. Between 1862 and 1871, four million acres of crown land were sold for £2,358,000; from 1872



to 1876 eleven and a half million acres were sold for £6,662,000. Amending Acts in 1875 and 1880 helped the squatter to buy, for land could now be bought at auction at one month's, instead of six months' notice, and the value of improvements a selector had to make was reduced from £1 to 10/- for every acre.

Despite its evils, this system satisfied both the genuine land-seeker, who could usually get a small selection, and the squatters 'relying upon their superior command of money,' and ability to meet fraud by fraud, to defeat the free selector, who menaced their runs; and the politicians gained an easy revenue for the Treasury and in a few cases for themselves. It was posterity that was to suffer—by the rash alienation of Crown Lands, so that for the selector in the future there would be none, and by the waste of the country's assets which deprived future Treasurers of land revenue. But posterity was not represented in the New South Wales Parliament, and not for twenty-three years was the system amended. Even then drought, low prices, rabbits, and scrub made the way of the selector a hard one; in the next ten years the number of occupiers rose from 40,000 only to 41,400; in 1894 lands which had been 'resumed' from the squatter in 1884 were again put under pastoral lease.

Such was the experiment in New South Wales. An attempt was made to enable the small settler to obtain lands on easy terms. It failed partly because the squatter too was able, by fair means or foul, to obtain the same land on easy terms; and partly because the New South Wales wheat-farmers needed railways which were not yet built. It was the result of having wheat lands separated from the coast by a wide stretch of rocky, mountainous country, impossible to cultivate, and difficult to traverse.

In the other colonies the same attempt was made, and the same difficulties did not always exist. For if the squatter was always able to buy land—he had the financial resources to do so—at least in Victoria to a certain extent, and in South Australia to a large extent, the country was suitable



for wheat growing, and the wheat lands were more accessible, so that difficulties of transport were less.

In Victoria, too, there were more ex-miners. Also the State was smaller; there was no back country to which the pastoralists alone could retreat; but the squatters held fifty-five million acres during the 'fifties—much of it good farming land. This was demanded 'for the people'; a 'vote, a rifle and a farm,' was the slogan of the 'Land Convention'; the new democracy set to work.

The Acts permitting 'selection' on easy terms were fatal to the small farmer—as in New South Wales. Conditions imposed on the 'selections' could not be enforced. One hundred men acquired 930,000 acres out of a million and half sold between 1862 and 1864; between 1860 and 1865 two million acres were sold for £1 an acre; but the number of *farmers* increased only by 4,000 to 18,000, who were cultivating about 400,000 acres. In 1890 this had grown to two million acres, and Victoria was a net exporter of grain. The area under crop grew from 400,000 acres in 1860 to more than one and a half million in 1880, and two millions in 1890. Natural conditions had enabled the farmer to make good. Not so in the other States. All made experiments in land legislation. But in Tasmania little good crown land remained in 1860; and Tasmanian wheat-farmers found that they could not compete with the mainland. In the West there was a flourishing grazing industry, but little else. Queensland, too, showed herself a pastoral rather than an agricultural colony. Only in South Australia was agriculture predominant.

Here natural conditions, soil, climate and geography favoured the wheat farmer, and small farms 'multiplied and spread.' During the gold rushes the colony was the 'granary of the continent'; from 1862 to 1880 South Australia's wheat crop was greater than that of the whole of the rest of Australia; in 1881 seven and half acres per head of population were under crop.

At first the colony's agricultural settlement had been



bounded in the North by 'Goyder's line'—the limit of 12-inch annual rainfall. In 1874 the 'line' was crossed; the 'demon drought' was buried; for 'rain would follow the plough'—or so it was said. In fact, it did not; 'Goyder's ghost still hovered about,' and drought in the 'eighties drove the settlers back. Good pastoral runs in the North had been ruined to make bad farms. Soil exhaustion, helped by the rabbits, was becoming a problem.

Farming technique was improving, though slowly, and agricultural machinery was being invented—and used. In the early days labour for harvesting was expensive, and the farmers feared the hot dry wind which might scatter the ripe ears while the scythes swept through the standing corn. As early as 1843 John Ridley's 'stripper' had harvested some crops—saving about sevenpence a bushel, and the 'South Australian' newspaper boasted: 'By the invention and successful manufacture of this machine, the colonists will be enabled to compete successfully in British markets.'<sup>2</sup>

At first exports went to the eastern states; after 1866 to Great Britain. The dependence of South Australia on wheat growing and wheat exports might have suggested that further improvements in technique were desirable. High labour costs impelled the use of the stripper, and later of other machinery. But the farmer—proverbially conservative—ignored the London soil analyst who recommended the use of 'guano.' Superphosphates, being developed by Justus von Liebig in Germany and Lawes in England, were greeted by the practical farmer with a smile. Even crop rotation and fallowing practice were rather primitive, except in the case of a few intelligent moneyed farmers. No effort had yet been made to improve the breed of wheat; old world varieties ripening late and liable to get 'rust' from the hot Australian summers were still used. It was not surprising that yields per acre began to fall. This at length brought the beginning of the study of scientific agriculture. In 1879 Roseworthy Agricultural College was established in South

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<sup>2</sup> 19th December, 1843, quoted: B. Fitzpatrick: *op. cit.*, p. 209.



Australia, followed six years later by the Dookie College in Victoria. But the ordinary farmer was prepared to exhaust the soil, destroy the trees by ruthless ring-barking and then move on, leaving problems of soil erosion for his descendants, and not worrying overmuch about falling yields.

But if the farmer scorned scientific agriculture, he did not neglect the development of agricultural machinery, which lowered costs and helped to make the large farm possible. Following Ridley's stripper, H. V. McKay produced a complete harvester, stripping and winnowing in one operation. For cultivating the scrublands opened for selection the 'stump-jump' plough of Smith and Stott was a god-send; without it the 'mallee lands might never have been scientifically cultivated for wheat.' Shann writes that 'prior to this (invention) only those who had other land for cropping could afford the five years needed to break in scrub or mallee land. The method adopted had been to cut the scrub about a foot above ground, to pile the debris around the stumps, and burn soon after the new shoots appeared. "Sucker-bashing"—a very arduous business with the mattock—was still needed after this, and raised the cost of killing the scrub to 15/- an acre. . . . A settler named Mullens . . . cut the scrub level with ground, burnt it off, and scratched the soil with a heavy triangular log through which he had driven strong spikes. From soil enriched by the ashes of a good burn, this "scratching-in" would produce a few crops that showed a good margin of profit. Other scrubland selectors, of which R. B. Smith was probably first, went one better, and contrived a plough that thoroughly turned up this "Mullenised" land, and loosened many of the roots. Its two, three, or more shares worked independently, and each, as it struck an ungrubbed stump, tripped, passed over it . . . and was sent back into the soil by a strong spring so soon as the stump was jumped.'<sup>3</sup>

Thanks to these improvements and favourable conditions in Victoria and South Australia, though helped a little by

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<sup>3</sup> *Op. cit.*, p. 221-2.



land legislation in these two states, the area under wheat in Australia—about 800,000 acres in 1862—doubled in ten years, and doubled again in the following decade. By 1890 there were nine acres under cultivation per head of population in South Australia, two and one-third in Victoria, and one in New South Wales. Production had trebled; but yields per acre and prices were falling. A bushel brought 8/6 in Adelaide in 1864-5; only 2/6 in 1893-4. The thirteen bushels yielded per acre in Victoria in the 'seventies fell to less than ten in the 'eighties; and South Australian yields dropped from eleven to less than eight bushels to the acre. New South Wales, though her annual production was four million bushels in the 'eighties, was far from self-sufficient; she had to import nearly three million bushels a year—mainly from Victoria and South Australia.

Other crops were less important, though hay and oats were grown in Victoria, and maize in Queensland and New South Wales. But the great agricultural advance was still in the future, as the following table shows:—

AREA UNDER CROP, in Acres.

	N.S.W.	Victoria.	Queensland.	South Australia.	Western Australia.	Tasmania.	All Australia.
1860-1	246,000	387,000	3,000	359,000	25,000	153,000	1,174,000
1890-1	853,000	2,032,000	225,000	2,093,000	70,000	157,000	5,430,000
1930-1	6,811,000	6,716,000	1,144,000	5,426,000	4,792,000	268,000	25,164,000

Dairying offered another opening which was beginning to be exploited by the small farmer, particularly in Victoria and New South Wales. But until after 1890 lack of refrigeration prevented large-scale exports, and the dairy-farmer had to rely on the fairly small local market to buy his product.

While the southern colonies developed wheat-farming and dairying to diversify their economies and support the wool industry, Queensland added tropical products to the pastoral production. In the interior the pastoralist maintained his hold; 'land selection' legislation, as in the south, was evaded. By 1874 9,000 selections had been made, and three million acres of Crown lands alienated—half to 267 persons, of whom 177 were squatters' agents.



The Queensland squatter raised cattle as well as sheep; for where heavy evaporation quickly dried the pastures, the rivers and water-holes, cattle could travel farther to water. At first, as in the dairy industry, the market was limited, but in 1880 the *Strathleven* carried the first cargo of frozen meat to London. Already there was a considerable export of canned, preserved meat—2,000,000 lb. in 1869 and 16,000,000 lb. in 1880. Fifteen years later exports totalled 340,000 quarters of beef, 850,000 lamb and 3,000,000 sheep carcasses. Not counting nearly two million dairy cows, there were over nine million cattle in Australia, of which four-fifths were in Queensland.

While sheep and cattle were raised in the interior, cotton and sugar planters were active near the coast. The former declined after the American Civil War; but the sugar-grower thrived. Thomas Scott had begun experiments in New South Wales as early as 1823; the first plantation in Queensland was made in 1862; fifteen years later 15,000 acres were under the crop, and sugar exports were worth £286,000. Naturally labour was a problem; so Kanakas were brought under indentures from the Pacific islands—46,000 of them by 1890. Piracy, kidnapping and murder were alleged to occur in recruiting these labourers; their mortality rate was four times that of the white man. Hence arose the demand for the regulation of this 'slavery.' In reply the planters demanded that Northern Queensland should be separated from the rest of the colony, so that she could develop her 'plantation economy' undisturbed by these complaints. But the demand was refused by both the Queensland and the British Parliaments.

Queensland cattle and sugar, as well as South Australian and Victorian wheat, were of relatively minor importance in Australia in the late nineteenth century. Wool was still supreme, and the squatter used his land, however acquired, to increase the prosperity of his country as well as himself. The English wool market grew suddenly during the American Civil War, when cotton supplies were cut off; and there



was no subsequent falling back. In 1860 wool comprised a third of Australia's exports; in 1890 a half, when over 600 million lb. were clipped and exported—a sixfold increase in thirty years; the number of sheep had increased only five times—from 21 to 107 millions—but the average Australian fleece had risen from 3.7 to 4.4 lb.—in New South Wales from 3.5 to 5.4 lb. The latter was still the premier sheep colony; her flocks had risen from five and a half million (about one quarter of Australia's) in 1860 to fifty million—about one-third of the total—in 1890; Victoria's share had fallen from forty per cent in 1861 to only fifteen per cent, though this meant an increase from eight to sixteen millions; Queensland was now in second place.

The industry had changed while it grew. When the pastoralist acquired a freehold and fenced his run, he needed more capital. When the grazing lands were filled, it was hard for the newcomer, unless he had means, to buy a station. Shipping freights fell and the Government provided rail transport; but the grazier had to provide his own station equipment and later his shearing machine. Patented first in 1877 by an Irishman named Wolseley, a marketable machine was demonstrated in Melbourne in 1885; by the end of the decade machine shearing was the vogue.

Fencing runs—the change from shepherding to paddocking—originally adopted during the gold rushes, when labour was short, substituted capital for labour on the station; it also increased the carrying capacity of the runs by as much as a third. At the same time the breed was improved—the wool was longer and sounder, the sheep grew bigger and lived longer, the lambing average was higher; there was no longer the nightly tramping of the soil by millions of herded feet.

Warehousing and marketing methods improved. The pastoralists learned the arts of washing, pressing and sorting the clip. The growers, feeling they were not getting a fair deal in London, turned to local sales. More and more wool was marketed in the grease.



The failure to oust the pastoralist, the changing of him from a squatter to a freeholder, might have been undemocratic; it certainly made difficult the way of the small agriculturist. But over most of Australia conditions are suited for pasture, not agriculture; and politicians would have been wise to recognise the fact. Then might the pastoralists have been better controlled for the public interest; their land might have been kept as a perpetual revenue producer for the public treasury. As it was, to quote Professor Shann's conclusion: 'Democracy's benevolent intention to temper the wind to the farmer's shorn lamb could not endow the tender creature with the vigour that enabled the pastoral ram to survive and fatten. And it came to pass that demagogues dispersed the public estate and pastoralists gathered up the freehold thereof.'<sup>4</sup>

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<sup>4</sup> Op. cit., p. 233.

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## CHAPTER X: CAPITAL

The development of Australia after 1860 was accompanied by much capital investment in industry and communications and other public works. The growth of the wool industry, and still more the expansion of wheat-growing, made improved communications necessary. Existing roads were quite inadequate. Even while convict labour had been available for road-making they had been poor. But when transportation of convicts ceased, and labour became scarcer, they became deplorable. In 1842 their construction and maintenance had been handed over to district councils, which had powers to levy rates to meet the expense. But they had no power to borrow, and 'local government' aroused little interest. They were not yet equal to the technical and



financial tasks of road making. Borrowing powers were given in Victoria in 1874, but municipal institutions did not become general in New South Wales until 1905.

Even when roads were constructed, they quickly deteriorated and turned into either deep mud or flying dust clouds; for the macadamised surfaces, copied from Britain, were unsuitable in a dry and windy climate. The travelling coach was therefore 'an instrument of torture.' It was not an English but an American model, with a light body hung by leather straps, introduced by the famous coaching firm of Cobb and Company, which quickly spread throughout Eastern Australia. In 1870 the company harnessed 6,000 horses every day, their coaches travelled 28,000 miles a week, and their mail subsidies were £95,000 a year. But these coaches, inadequate at best, were only available for passengers and mails. For goods, and for speedier and more comfortable passenger travel, railways were necessary.

At first railway building was undertaken by private companies, as in England and the United States. But private enterprise failed dismally, leaving as its great monument different gauges in Victoria and New South Wales. Even if railway dividends were guaranteed by the Government, there were other, better investment opportunities than railways for those who desired to become rapidly rich.

In Victoria, the Melbourne, Mount Alexander and Murray River Railway Company, established in 1852, received £5,000 from the Government, a guaranteed dividend of five per cent for twenty years, and free land for the line and stations, including the Melbourne terminus. By 1855 only 5,127 £25 shares (out of 40,000) had been bought, and the company decided to build to Williamstown (ten miles) instead of to the River Murray (two hundred). Next year the line was taken over by the Government. The Hobson's Bay Company succeeded in paying a dividend—by charging high fares; the Melbourne and Geelong Railway Company succeeded in building its line, but it had to call on the Government to make good its guarantee of dividends. By 1861, when 110



miles were open in the State, the first class fare on Government lines was 1.9 pence a mile to Geelong and 1.3 pence to Williamstown, and the second class fare was about a penny a mile; on the private suburban lines, to Hobson's Bay, St. Kilda, Brighton and Essendon, the 'first' was over threepence a mile and the second nearly twopence-halfpenny. In this year the surviving private lines, twenty-one miles in all, were bought by the Government.

In New South Wales private enterprise did even worse, and the Government had had to complete the first line from Sydney to Parramatta. But the Governments were still cautious, and by 1870 there were only a thousand miles of railway in Australia (compared with 243 in 1861), reaching nowhere more than 180 miles from the sea. There was a severe technical obstacle, particularly in New South Wales, though to a certain extent in all the colonies, for the lines had to cross the mountains, where there were sharp curves, steep gradients and little local traffic, before reaching the easier and more productive interior. Capital was still lacking; the total debts of all the colonies were less than £40 millions. Investors preferred more profitable pastoral land, mining and banking concerns.

In the 'seventies a new policy was adopted—'a vigorous policy of public works.' By 1890 there were over 10,000 miles of railway open in Australia, on which over £100 millions had been spent. The first advocate of this policy was Sir Hercules Robinson, Governor of New South Wales from 1872 to 1879, but he found plenty of disciples. It was argued that the land should be 'opened up ahead of settlement,' and political pressure led to some uneconomic lines. No general plan for building was ever drawn up; it was a hand-to-mouth business. Colonial Treasurers were apt to overlook railway deficits due to non-paying lines and freight concessions, for the land sales in the districts in which the lines were built brought much revenue. British investors were willing enough to lend the necessary capital, and as the 'eighties advanced the business became fast and furious. Not



satisfied with over fifty new miles a year in the 'seventies, New South Wales added 170 new miles a year in the next ten years; Victoria was building between ninety and one hundred miles a year. To stop political pressure, railways administration was handed over to semi-independent commissioners—in Victoria in 1884, in New South Wales in 1887. But 'log rolling about new construction only shifted from the lobbies of Parliament House to the corridors of the Commissioners' Office,'<sup>1</sup> and the building went on. The public debt of Australia as a whole grew from £11 million in 1861 to £30 million in 1871, £66 million in 1881, and £156 million in 1891—from about £10 to nearly £50 a head.

Not all this money was spent on railways. By 1889 there were nearly 40,000 miles of telegraphs open in Australia—more than in Canada or Great Britain, though only one-sixth of that in the United States. Submarine cables had been laid connecting Australia with England in 1872 and with New Zealand in 1876. In the 'eighties the tramway system of Sydney and Melbourne were begun. In addition to transport and communications, Victoria, urged by Alfred Deakin, began to irrigate; an Irrigation Act was passed in 1884, and by 1891 over £7 million of loan money had been spent on water works.

Naturally this public investment stimulated private investment also. Manufactures, it is true, were few. In Victoria, where the demand for employment was greatest, owing to the decline of the gold fields, David Syme, editor of the "Age," began a campaign for tariff protection for the 'infant industries' of the colony. 'By the system of naked competition our manufacturers or mechanics are prevented from even making a beginning in the work of opening up new sources of industry,' he wrote . . . 'and in a few short years hence, if this prearranged practice of national industrial abortion is continued amongst us, the people of Australia will be as utter strangers to all scientific skill and practical dexterity in the

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<sup>1</sup> E. O. G. Shann, *op. cit.*, p. 306.



arts and manufactures of highly civilised nations as are the Bedouins of Barbary or the Tartars of Central Asia.'<sup>2</sup>

His campaign for protection was successful. In 1866 a fairly low protective tariff was passed, with ten per cent duties on certain manufactured goods. In 1871 it was raised to twenty per cent in the case of finished manufactures—including boots, clothing, textiles, leather goods and iron and steel goods. In 1877 it was raised again, imposing duties of thirty and forty per cent on some commodities.

It is uncertain how effective these measures were. Between 1864 and 1874 the number of factory hands had increased from 7,000 to 28,000, though in the 'seventies the colony lost population to New South Wales. But by 1890 nearly twenty per cent more people were employed in secondary industry in Victoria than in New South Wales—chiefly in printing, iron foundries, breweries, saw mills, textiles, boot and shoe factories, brickyards, and potteries, and but for the tariff the relative drop in population might have been greater than it actually was.

More important than secondary industry was the mining development of the 'eighties. Gold production in Victoria had fallen by half since the 'rush' days, and the number of miners by over two-thirds. But in 1882 the Mount Morgan field in Queensland was discovered, a veritable hill of gold, which yielded two million ounces between 1886 and 1900, and 323,542 ounces in one year, 1889, worth nearly £8 millions in all, of which over half was distributed in dividends to shareholders of Mount Morgan Ltd., whose capital was only £800,000. In 1883 the silver-lead deposits of Broken Hill were found. The Broken Hill Proprietary Company was formed in 1885; by 1889 ten million ounces of silver and 40,000 tons of lead had been won, worth £2,300,000, and by 1898 the investors of £400,000 capital had received over £7,000,000 in dividends and bonuses. In Tasmania, in the 'eighties, silver-lead was found at Mount Zeehan and copper at Mount Lyell; tin had been mined for some ten years at Mount Bischoff. South Australia had been mining

<sup>2</sup> Quoted, E. O. G. Shann, *op. cit.*, p. 265.



copper since the 'forties at Kapunda, and since 1860 at Wollaroo and Moonta, but the development of her iron deposits was still in the future. In addition, the demand for fuel for smelting, for the new railways, and for increasing shipping caused a great increase in coal output. In 1850 190,000 tons were mined in New South Wales; but in 1881 the output was nearly two million tons, and in 1889 over three and a half millions—over two-thirds from the Newcastle-Maitland fields, the rest from Bulli-Wollongong and Lithgow.

Investment in mining was all to the good, and during the 'eighties increasing amounts of copper, tin, silver-lead and coal helped to swell and diversify Australian exports, which had hitherto been mainly pastoral products. But the public works policies, the general development of the colonies, and the prosperity of the 'eighties helped to attract other funds to Australia for less desirable purposes.

One of the features of the period was the growth of banking. In the early days, following English practice, bankers had refused to lend money on the security of land. They wanted bills of exchange, secured by readily marketable goods. Gradually this practice was changed. First money was advanced on the security of stock; then on the land that pastured the stock. But this security was largely speculative. Repayment depended on expectations of production coming true, and values holding in years to come, not on goods already produced. Advances were for long terms, and could not be quickly redeemed, so that if depositors wanted their money quickly they could not be paid. In part the danger was recognised, and Australian bankers kept more gold in their vaults than English.

Lending money on the security of land was very profitable. Land companies were formed which specialised in this business. They frequently obtained their funds not from colonial, but from British depositors, who also could not easily be repaid on demand.

For a time all went well. The colonies were prosperous; development was being vigorously pushed forward, in turn



increasing land values. During the 'eighties bank advances rose from £58,500,000 to £132,000,000, and British deposits in Australian banks grew from almost nothing to £40,000,000. Towards the end of the 'eighties the position seemed less secure. Droughts and falling prices made it difficult for landowners to repay their overdrafts, which in fact rather tended to increase. Wool brought twelve pence a pound in 1884, but only sevenpence in 1893; the yield of wheat per acre was declining, and wheat prices were falling.<sup>2</sup>

In 1887 the more cautious banks tried to call a halt, and refused further advance on the security of land. But an amendment to the Victorian Banking Act passed that very year made easier such advances by the Land Companies, and they were very willing to fill the breach. Speculation turned to city land. Ever increasing sums were paid—on credit—for city blocks, which in turn were resold at a profit. The landbanks lent to speculative builders up to the full 'estimated' value of their land—and estimations were very high. One society suspended payment in December, 1889, but the others went gaily on, unheeding, and the Government helped to sustain the boom by continued overseas borrowing.

For indeed it was on this borrowing that the whole boom depended. The prosperity of the colony depended on the Government continuing to build railways, to give employment and to open up new lands; when this ceased a slump was inevitable. Interest on the overseas debt had to be paid; this required a surplus of exports over imports to raise funds in London. But during the 'eighties there was surplus of imports over exports. The difference was made good by the new investments, both public and private; those investments were the basis of the credit expansion.

Between 1878 and 1891 the amount of overseas capital invested in Australia trebled — from £90,000,000 to £275,000,000; during the 'eighties both the New South Wales and Victorian Governments borrowed more than £25,000,000 and all the Australian Governments borrowed £90,000,000.

<sup>2</sup> See above, p. 88.



At the same time, private investments from overseas totalled £26,000,000 in New South Wales and £37,000,000 in Victoria; and in Victoria in 1891-2 £15,000,000 more were borrowed by private persons and £5,000,000 by the Government.

This meant that the boom lasted a little longer in Victoria than New South Wales. There, the drought of the 'eighties had been more severe, and had effectively stopped land speculation. Government borrowing decreased and unemployment grew. As yet, while speculation continued in Victoria, there was no crisis, and there was no 'run' on the banks. But as far as New South Wales was concerned, the land boom ended in 1888; and in this respect she was lucky, for she suffered so much the less in 1893, when the crash came.

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## CHAPTER XI: LABOUR

In 1890, as the economic depression was growing deeper, and the banking crisis was threatening, there occurred the first of the 'great strikes' in Australian history. The labour movement had by then been in existence for half a century. As early as 1840 the 'Australian Society of Compositors' had been formed in Sydney, drawing upon itself the anathemas of the conservative press. In the same year, the Melbourne carpenters and joiners went on strike, demanding higher wages. This 'unrest' led, in 1845, to the strengthening of the Masters and Servants Act, originally passed in 1828 for 'the better regulation of servants, labourers and workpeople,' authorising magistrates to imprison 'servants' for failing to fulfil any contract of work.

After the increase of population caused by the gold discoveries, trade unionism grew rapidly. The early unions



were particularly strong in building, printing and engineering, all skilled trades, like the 'New Model Unions' growing in England at the same time. High wages prevailed during the gold rush, but the unions were anxious to exclude unskilled apprentices and to reduce the length of the working day. The former was the object of the Typographical Association of Victoria in 1851. 'The introduction of a large and disproportionate number of apprentices totally unfitted by incapacity and want of education ever to become creditable workmen may, at a superficial glance, appear a saving to the employer; but a dozen such will not in the end be as profitable as one well educated respectable lad. . . . The former class, during their apprenticeship, are as drones . . . and when freed they are a reproach, useless pests to the community . . . and ignorant, slovenly and incompetent workmen. . . . The introduction by the employer of a spurious kind of labour not only injures his own interest, but more immediately the interests of the employees, who are made to suffer for a seeming superabundance. . . . Under such circumstances it becomes the duty of the employees to unite in a demand for a fair, uniform rate of remuneration, and to make it a condition of the engagement that they neither be required to instruct a disproportionate number of apprentices, nor to work with those who have not a legitimate claim to the art.'<sup>1</sup>

At the same time the builders were demanding an eight hour day. It was granted in Melbourne in 1856, where the first Eight Hours procession was held on April 21 to celebrate the achievement. In Sydney the eight hour movement did not develop till the 'seventies, but in the meantime a union had been formed on the coal fields of New South Wales—the Hunter River Coal Miners' Protective Association. It was successful in gaining an increase in wages in 1854; but agitation for improved working conditions led to an employers' combination being formed in 1861, and

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<sup>1</sup> Quoted, Sutcliffe: *A History of Trade Unionism in Australia*, pp. 20-1.



soon afterwards wages were reduced again by twenty per cent.

During the next twenty-five years unionism gradually increased its strength. In 1874 the New South Wales coal miners won a ten-hour day (instead of twelve). In the same year, the Amalgamated Miners' Association of Victoria was formed, and began to agitate for the better regulation of mining—for an eight-hour shift, better ventilation and inspection of machinery. These claims were granted by the Regulation of Mines and Machinery Act, 1877. In 1874, too, were founded the Victorian and New South Wales Seamen's Unions, which federated in 1876.

Apart from seeking a shorter working day, one of the chief activities of the unions was their opposition to the immigration of coloured labour; in fact, they were luke-warm about any immigration at all, as was shown by the Labour support of the Victorian Protection and Anti-Immigration League of 1861, for they feared that the competition of immigrant workmen—and particularly of immigrant coloured workmen—would tend to reduce wages.

When self-government was conceded, English immigrants were still being assisted to come to Australia. In 1861 Parkes<sup>2</sup> went on a lecture tour to try to attract more to New South Wales. But in the 'sixties the numbers steadily declined, and in 1866 no vote for immigration was passed in New South Wales. Parliament, despite the support of the employing class, refused to revive it, except to a very limited extent, even during the boom conditions of the 'eighties. Between 1873 and 1893 New South Wales received only 58,000 assisted migrants, compared with 231,000 unassisted. In Victoria Labour opposition was at first less successful—perhaps in part as a set-off to the tariff policy. Part of the land revenue was used for assisting migration, and in the 'sixties 45,000 assisted migrants arrived. But in 1871 assistance was stopped. In Queensland and South

<sup>2</sup> Henry Parkes, five times Premier of New South Wales and early advocate of secular education and federation.



Australia state-aided immigration lasted longer, largely by means of 'land orders.' For twenty years immigration accounted for only one-third of the annual growth of population, which was increasing by nearly ten per cent a year, from just over one million in 1860 to two and a quarter millions in 1880. In the 'eighties immigration increased once more, while the 'land boom' lasted, and heavy loans were being raised overseas. More than 400,000 persons arrived between 1880 and 1891; and by then the total population had reached three millions.

If labour was successful in reducing assisted migration from Great Britain, it also managed to get positive restrictions imposed on Chinese immigrants. They had first caused unrest on the gold fields, and as early as 1855 Victoria imposed an entry tax of £10, and an annual poll-tax of £1, which was raised to £6 in 1858. In 1861 there were 25,000 Chinese in Victoria and 13,000 in New South Wales, where a similar Restriction Act was passed in that year. The decline of alluvial mining solved the problem for the time being, and the Restriction Acts were quietly repealed. But the Queensland gold discoveries attracted the Chinese again, and the agitation for exclusion was renewed. It was successful; restrictive legislation was reimposed in every colony, though owing to Anglo-Chinese treaties it was not specifically directed against China. In 1878 the Seamen's Union organised a successful strike against the employment of cheap Chinese labour on coastal ships, and in this protest the unions were supported by the Queensland Government, which informed the Australasian Steam Navigation Company that it would not pay a subsidy on mails carried by Chinese-manned ships.

Some legislation regulating the conditions of labour was passed in New South Wales and Victoria, though only in the latter was there any comprehensive Factory Act. The Victorian Mines and Machinery Act of 1877 has already been mentioned. An Act of 1873 attempted to regulate the conditions of women in factories by imposing an eight-hour day.



prohibiting night-work and ensuring adequate ventilation; but it was 'of more theoretical than practical importance, as piece-workers were exempted from the limitation of hours . . . and factories and workrooms could be withdrawn from the operation of the Act if the workers petitioned for it.'<sup>3</sup> Another act was passed in 1885, following the report of a Royal Commission appointed in response to an 'anti-sweating' campaign in the press. The measure was drastically altered by the Legislative Council, where forty-four amendments were made, but as passed it provided that children under thirteen should not be employed, that boys under fourteen and girls under sixteen should not work at night, that machinery should be fenced, and that injured workmen should be compensated; it regulated hours of work both within and without the factory, and enforced a definite closing hour for shops.

In New South Wales, the first Coal Fields Regulation Act was passed in 1862, forbidding the employment of children under thirteen, and providing for some inspection and ventilation. This Act was amended in 1876, when, besides providing for the appointment of miners' 'checkweighmen,' a ten-hour day and fifty-hour week for young persons aged between thirteen and eighteen, was prescribed.<sup>4</sup> No general Factory Act was passed here, or in any other colony, before the 'nineties. However, acts were passed improving the legal position of Trades Unions—in South Australia in 1876, in New South Wales in 1881, in Queensland and Victoria (after a struggle with the Legislative Council) in 1886, and Tasmania in 1889. These acts, based on the English acts of 1871 and 1875, provided that unions might be registered, and, when this was done, their funds would be protected, they should have control over their officers, and that 'the purposes of a trade union shall not, by reason merely that they are in restraint of trade, be deemed to be unlawful, so

3 T. A. Coghlan: *Labour and Industry in Australia*, part III, p. 1472.

4 The employment of females was definitely forbidden altogether, though they had not in fact been employed.



as to render any member . . . liable to criminal prosecution for conspiracy or otherwise.'<sup>5</sup>

In the 'eighties a marked growth of unionism accompanied the 'boom,' chiefly in the pastoral, mining, building, transport, clothing and engineering industries. The miners' unions spread to the western and southern New South Wales coal fields, as well as to Broken Hill. The builders had already gained their eight-hour day victories by 1880, and the transport unions, after their success against the Chinese in 1878, went from strength to strength. In 1884 the Sydney Maritime Council, composed of unions connected with the shipping industry, was established. In 1885 the Wharf Labourers' Union was formed; it struck work next year demanding an eight-hour day, increased wages for discharging coal, and the right to a holiday on Eight Hours Day. The strike lasted eighteen days and was settled by arbitration—a method then new to Australia; most of the men's demands were granted. Soon after the Coal Lumpers and Railways added to the Transport Unions.

Last but not least was the Amalgamated Shearers' Union of Australia, organised by William Guthrie Spence, who had in 1874 formed the Amalgamated Miners' Association. Spence started to organise the shearers at Ballarat in June, 1886, when the pastoralists announced a cut of half a crown a hundred in the shearing rate. By December there were 9,000 members, by 1889 22,500, excluding Queensland, which had its own union under William Lane. Spence's aim was to secure a general shearing agreement instead of 'station agreements,' and to exclude unfair practices. He objected to reductions of pay for sheep badly shorn or injured, to the compulsory buying of necessities at the station-store, and to the common hut for sleeping, washing, cooking and eating. By a mixture of force and persuasion, such agreements were widely made in 1887, 1888 and 1889.

The unions had increased their solidarity and co-operation

<sup>5</sup> N.S.W. Act, T. A. Coghlan: part III, op. cit., p. 1466-7. The Victorian Act omitted "or otherwise."



as well as their size. In the 'seventies both Sydney and Melbourne had their Trades and Labour Councils, and Brisbane, Hobart and Adelaide followed suit in 1883-4. In 1879 the first intercolonial Trade Union Congress was held in Sydney with thirty-nine delegates, representing over 11,000 members; in the 'eighties six more congresses were held. Typical items on the agenda were immigration, the eight-hour day, factory regulation, the early closing of shops, conciliation and arbitration, the nationalisation of land, and property and land taxation. At the second congress a resolution was passed in favour of Trade Union Parliamentary Committees, and these became active in all the self-governing States. In 1889 the unions could afford £30,000 to assist the great strike in London for the 'docker's tanner.'

This was the organisation, numbering about 70,000, that was about to engage in one of the fiercest struggles in Australian industrial history—the great strikes of 1890-1894. Why 1890? Two reasons might be suggested. First, the unions were becoming more extremist as time went on. 'It was at the 1888 and 1889 congresses that the presence of tendencies of a more or less socialistic character were revealed,' writes Sutcliffe.<sup>6</sup> This may be true; but it takes two to make a quarrel, and the employers also were aggressive, and 'the *federation* of labour and the *counter-federation* of employers is the characteristic feature of the labour question at the present epoch,' according to the report of the Royal Commission appointed to investigate the causes of the strike. The onset of the depression, particularly in Queensland and New South Wales where the trouble began, made employers very anxious to reduce costs—including wages. Between 1889 and 1894 prices fell by thirty-six per cent; wages had to fall too. To help this reduction, the employers wanted, where possible, to repudiate the unions, to declare 'open-shop,' to employ 'free' non-union labour, and to revert to the principle of 'freedom of contract,' which has been said to 'begin where equality of bargaining power ends,' so that

<sup>6</sup> Op. cit., p. 63.



it is unlikely to lead to economic justice. Naturally the unions objected; they seemed stronger than ever before; they would not surrender without a struggle, however necessary wage reductions might be. Two strongly organised and determined organisations, both fighting for what they believed to be fundamental principles, were about to fly at each other's throats.

First came the 'Maritime Strike,' though the name 'is a misnomer; most of those engaged were not maritime workers, and the maritime dispute was only one case of a clash of ideologies which took practical shape in the series of strikes and lock-outs throughout Eastern Australia.'<sup>7</sup> The trouble started when the Marine Officers' Association, which had been formed in 1889, decided to affiliate with the Melbourne Trades Hall Council, when the shipowners disregarded the claims which the officers had made. The owners objected that this would undermine discipline. The Seamen's Union at the same time was demanding an eight-hour day and improved conditions. The shipowners quickly raised a fighting fund of £20,000, and the chairman of the Steamship Owners' Association stated: 'We are determined to fight the seamen. All the owners throughout Australia have signed a bond to stand by one another. . . . We are a combined and compact body, and I believe that never before has such an opportunity arisen to test the respective strength of Labour and Capital.'<sup>8</sup>

Meanwhile, in New South Wales the shearers were involved. Out of 2,800 sheds in the colony all but about 400 were 'shearing union.' In July, 1890, the Amalgamated Shearers' Union declared that none of its members would enter 'station agreements' for that season, and it asked the Sydney Trades and Labour Council and the maritime unions to co-operate and 'to draw such a cordon of unionism round the Australian continent as will effectually prevent a bale of

<sup>7</sup> B. Fitzpatrick: *Short History of the Australian Labour Movement*, pp. 71-2.

<sup>8</sup> Quoted by B. Fitzpatrick: *British Empire in Australia*, p. 305, from the *Silver Age* newspaper, July 29, 1890.



wool leaving it, unless shorn by union shearers.'<sup>9</sup> Some pastoralists had already begun to employ non-union labour, and the maritime unions agreed to help the shearers.

On 16th August the great strike began. The officers walked off their ships and the crews walked with them; and the waterside workers, having already resolved not to handle 'black' wool, stopped work in support of the seamen. In September a ship manned by non-unionists put in to Newcastle for coal; but the miners refused to supply it, and said they would stand by the seamen. In September all the coal-miners came out on strike, followed in October by the men at Broken Hill.

The temper on both sides grew harder. The shipowners had already announced that they intended to conduct their business 'clear of these tyrannical labour organisations'; in September an intercolonial conference of employers reaffirmed the principle of freedom of contract, and resolved that 'it is desirable to encourage employers to join existing employers' unions and form other unions where necessary for mutual protection and defence.' On the labour side, defence committees were organised; £37,000 was received in New South Wales and £35,000 in Victoria as 'fighting funds.' In September the 16,000 shearers working under 'union agreements' ceased work; many were afterwards prosecuted under the Masters and Servants Act, for breaking their contracts in doing so.

Volunteer labour was organised; the fact that there was considerable unemployment meant that plenty was available. The Riot Act was read in Sydney when soldiers with artillery were sent to Bulli to assist the police in protecting non-union miners there. A fight took place on Circular Quay between union and non-union labour. Special police were enrolled in Melbourne. By the end of September, union funds were running out; next month the strike collapsed.

But the industrial troubles were not over. For 'the collapse of the Maritime Strike led many employers to con-

<sup>9</sup> Quoted, H. Heaton: *Modern Economic History*, p. 241.



sider the time opportune for further attempts to secure the acceptance of the principle of freedom of contract . . . that is . . . to eliminate Trade Union intervention in agreements between individual employers and their employees.'<sup>10</sup> And further attempts were made.

First, the flour-millers in Victoria. Then the pastoralists; in 1891 they were determined to beat the shearers, who were described by the Chief Justice of New South Wales as 'a closely knit band of criminals with commissariat arrangements, firearms and ammunition devastating sparsely inhabited country, holding the few inhabitants in terror and compelling honest labourers to desist from work.'<sup>11</sup> Non-unionists were sent out-back, and when trouble threatened in Queensland armed police, artillery and mounted infantry were despatched to the disaffected districts. Throughout the autumn the struggle went on. In May officials of the union at Barcaldine were arrested and sentenced to three years' imprisonment for conspiring 'to induce others to depart from their hiring,' though the jury took three days to agree on the verdict of guilty; others were convicted of riot, seditious language and unlawful assembly. Not until June was the strike called off, and in August the Pastoralists' Council and Shearers' Union agreed that 'the employer shall be free to employ and the shearer free to accept employment, whether belonging to shearers' or other unions or not, without favour, molestation or intimidation on either side.'

In 1892 it was the turn of Broken Hill. In 1890 there had been a dispute, but only for a fortnight. Now the company tore up the agreement concluded then, which provided for arbitration in the case of future disagreements, and tried to substitute contract-mining for day-labour. The men wished to enforce their agreement. Work ceased in the beginning of July; in August the company began to work the mines with 'non-union' labour; in September the miners' leaders were tried for sedition and conspiracy, and in Novem-

<sup>10</sup> Sutcliffe: *op. cit.*, p. 74.

<sup>11</sup> Quoted, E. O. G. Shann: *op. cit.*, p. 325.



ber the men agreed to go back on the company's terms. The 1890 agreement had become merely a 'scrap of paper,' and 'peace reigned on the Barrier for the ensuing decade.'<sup>12</sup> And so, too, throughout Australia, save for occasional trouble owing to low wages in the New South Wales coal mines, and a final conflict in the Queensland shearing sheds, where the owners again sought (with success) to change their existing agreements with the men.

12 B.H.P. Jubilee Review, June, 1935, p. 11.

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## CHAPTER XII: CRISIS

After the defeat of labour, came the bank smash. Already the depression had begun; a decade of over-borrowing had ended. Drought and falling prices had hit the pastoralist hard; and, as was to happen again in 1928-9, the attempt to reduce costs and wages had precipitated a violent labour upheaval. The 'land-boom' could last only as long as the colonies could still borrow money from England. The borrowed money swelled, temporarily, the national income and governments did not worry about interest payments. The loans helped to increase government revenue, especially in Victoria, where the goods bought with the borrowed money paid heavy customs duties; and British depositors were still swelling the funds of the banks.

By 1891 the confidence of British investors was waning. A crisis in the Argentine and the near failure of the great London house of Baring's made them cautious. Stories of the industrial strife were not inducements to invest; and wool and metal prices were still falling. So in 1891, when Victoria tried to borrow £3,000,000 in London, she got less than



£2,000,000; Queensland fared worse and got only £300,000 out of £2,500,000; New South Wales obtained barely half of her £4,500,000 loan, and South Australia only a third of her £1,250,000.

The failure to borrow made it hard to pay overseas interest, for the banks were faced with a shortage of London funds. Credit had to be restricted. But advances on city land at inflated values could not all be repaid; and pastoralists' overdrafts were likewise 'frozen.' Trade was dull and unemployment rife. Between July, 1891, and August, 1892, forty-one land and finance companies in Melbourne and Sydney failed, with liabilities of £18,000,000, including £4,000,000 owing to British depositors. In January, 1893, the first bank suspended payment, the Federal, which had been too closely connected with a building society, already bankrupt.

Worse was soon to follow, for a 'run' developed on the Commercial Bank of Australia, which had £13,000,000 deposits. Over £1,000,000 were withdrawn in three months; it was unable to get help, either from the Government or from other banks; in April payments were suspended. That was the signal for a 'run' on the other banks, and during the month eleven were forced to close, either permanently or temporarily.

Victoria, where speculation had been the greatest, suffered the most. The Government did little to help to prevent the smash. Patterson, the Premier, had refused either to make the bank notes legal tender—for gold was the only legal tender coin in the colony, and bank notes had to be paid in gold on demand—or to give a Government guarantee for any of the banks' deposits—which might have stopped the rush to withdraw them. Instead he proclaimed a five-day bank holiday. This threw the city into a panic, for it was assumed that all the banks would have had to suspend but for the holiday. Confidence revived a little when some banks disregarded the proclamation and remained open; but six more banks had subsequently to close and 'reconstruct.' The reconstructions usually provided for 'locking up' fixed deposits



for seven or more years, and occasionally for the issue of inscribed stock. Interest was to be paid on these accounts, but in most cases it was reduced. Over £1,000,000 of capital and £4,000,000 of reserves were written off; £2,000,000 of new capital were called up, and another £4,000,000 were demanded from shareholders out of their 'reserved liability,' so that shareholders had to provide for losses totalling £11,500,000.

In the whole of Australia only ten banks weathered the crisis; twenty-two suspended or failed. In Sydney, Sir George Dibbs, the Premier, passed emergency measures, in May, making bank notes legal tender for a year, and empowering the Treasury to issue its own notes and lend them to the banks, up to half the amount of current accounts locked up by any bank suspension. The banks hesitated to use this proffered aid, but after the failure of the Commercial Bank of Sydney and three Queensland banks, Dibbs forced the survivors—the City Bank of Sydney, the Bank of New South Wales, and two English banks, the Union and the Bank of Australasia—to accept. This ended the crisis in Sydney, and allowed these banks to send their gold, no longer necessary in New South Wales, to other threatened points, and these last-named three were the only nation-wide institutions that remained open.<sup>1</sup>

Queensland, with a government policy of expansion, the stimulus of the mining discoveries, and the development of the pastoral industry, had shared in the boom in the 'eighties; her public debt increased from £13,000,000 to nearly £30,000,000 in the decade, and there was much private investment and speculation. But, as in the southern colonies, the tide had to turn. Drought and then floods, the failure of overseas loans and the necessary restriction of bank credit, together with falling prices and industrial unrest, caused depression; the crisis came with the spread of banking failures from the other colonies. The main Queensland banks failed and had

<sup>1</sup> The others were the Bank of New Zealand, the small Victorian Royal Bank, the Bank of Adelaide, the Bank of Western Australia, and two Tasmanian Banks.



to reconstruct; but the Government assisted them by issuing Treasury notes.

Such was the crisis of the 'nineties—an inevitable result of a period of overinvestment, particularly in land, where much of the capital imported was not used directly in or in sustaining productive enterprises. It was made possible by the supply of English loans; but that is not to blame the English; the Australian borrowers were responsible for the misuse of their loan-funds. By 1889 the 'malaise' was apparent, and three years passed in great apprehension. Confidence was lacking; unemployment, falling prices, and adverse weather combined to make the depression more severe. But the final blow fell when the source of loans dried up, when British investors in their turn grew uneasy. Then nothing could stop the disaster, and the whole house of cards collapsed, reducing the cautious investor, as well as the speculator, to poverty.

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- E. O. G. Shann: *Economic History of Australia*, chs. xvii and xix.  
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 T. A. Coghlan: *Labour and Industry in Australia*, part vi, ch. ix.

#### CHRONOLOGICAL TABLE.

- 1851—Widespread gold discoveries in New South Wales and Victoria.  
 1854—First Victorian railway—to Port Melbourne.  
     'Eureka' riots on Ballarat goldfields.  
     Hunter River Coal Miners' Union.  
 1855—Sydney to Parramatta railway.  
     Responsible government in New South Wales, Victoria, Tasmania and South Australia.  
     Poll-tax on Chinese on goldfields (Victoria).  
 1856—Responsible government in South Australia.  
     Builders' eight-hour day in Melbourne.  
 1857—Manhood suffrage and vote by ballot in Victoria.  
     Torrens' Real Property Act (South Australia).  
 1858—Manhood suffrage and ballot in New South Wales.  
     Telegraph opened between Sydney, Melbourne and Adelaide.  
 1859—Queensland a separate colony, and given responsible government.



- 1860—Copper at Wallaroo and Moonta (South Australia).  
Nicholson's Land Act (Victoria).
- 1861—Anti-Chinese riots, and regulation of Chinese immigrants  
(New South Wales).  
Crown Lands Alienation Act and Crown Lands Occupation  
Act (New South Wales).  
Protection and Anti-Immigration League founded (Victoria).
- 1862—Duffy's Land Act (Victoria).  
First sugar plantation (Queensland).  
Coal-fields Regulation Act (New South Wales).
- 1865—Grant's Land Act (Victoria).
- 1866—Public Schools Act (New South Wales).
- 1867—Protective tariff in Victoria.
- 1871—Tin discovered at Mount Bischoff (Tasmania).
- 1872—Transcontinental cable completed.  
Sir Hercules Robinson, Governor of New South Wales: "A  
vigorous policy of public works."
- 1873—First Factory Act (Victoria).
- 1874—'Goyder's Line' crossed in South Australia.  
Coal miners' ten-hour day (New South Wales).  
Amalgamated Miners' Association of Victoria formed.  
Victorian and New South Wales Seamen's Unions formed.
- 1876—Amending Coal-fields Regulation Act (New South Wales).
- 1877—Mines and Machinery Act (Victoria).  
Wolseley's shearing machine patented.
- 1879—First artesian bore, Killara (New South Wales).  
Roseworthy Agricultural College established (South Australia).  
First inter-colonial Trade Union Congress.
- 1880—First cargo of frozen meat sent to London.  
Ned Kelly captured.
- 1883—Discovery of silver at Broken Hill.  
Railway connexion between Sydney and Melbourne.  
Creation of Federal Council.
- 1884—Victorian Railways' Commissioners appointed.  
Sydney Maritime Council formed.  
Invention of stripper-harvester by H. V. McKay.
- 1885—Gold discovered at Kimberley (Western Australia).  
Silver-lead discovered at Mount Zeehan (Tasmania).  
Dookie Agricultural College established (Victoria).  
Formation of B.H.P. Company.
- 1886—Discovery of gold and copper at Mount Lyell (Tasmania).  
Second Factory Act (Victoria).



- 1887—New South Wales Railways' Commissioners appointed.  
1888—Sydney-Brisbane railway.  
1889—Railway connexion between Brisbane and Adelaide.  
1890—Responsible government in Western Australia.  
Federation Conference.  
Great Maritime Strike.  
1891—Federal Convention in Sydney.  
Election of 35 Labour members to New South Wales Legislative Assembly.  
Shearers' strike.  
1892—Discovery of gold at Coolgardie (Western Australia).  
Lock-out at Broken Hill.  
1893—Bank smash.  
Shearers' strike (Queensland).



# PART III—THE COMMONWEALTH

## CHAPTER XIII: RECONSTRUCTION

By the end of 1893 the crisis was over, but depression remained. Gone for the time being was the era of quick development, financed by large overseas loans; progress would have to be slower, and economic life less hectic. To pay the interest on the sums borrowed during the 'eighties, exports would have to be increased—that is, the primary industries must develop. This development was made easier by the public works of the boom, for railways (and to a less extent irrigation) had opened up the country. Particularly in New South Wales and Victoria, the wheat lands were now more accessible, for wheat, a crop very bulky in proportion to its value, cannot be grown far from the railhead; and what land legislation had been unable to do for thirty years before 1891, railways were able to do afterwards—that is, to set the wheat farmer on the land. Moreover, refrigeration had just made possible exports of dairy produce, so that, helped by wheat and butter, recovery was fairly rapid. At the same time, Federation brought customs unity to the country, which was no longer to be plagued by six internal tariff divisions, and secondary industry too, found, after 1900, that it was able to expand profitably.

In New South Wales the government under George Reid<sup>1</sup> took the lead in promoting recovery. He carried out an important and long overdue reform of the financial system, which was effected by establishing an annual budget, and by raising income and property taxes in order to balance it. This reform was followed by an amending Land Act, passed

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<sup>1</sup> George Reid, born in Scotland 1845; arrived in Australia 1852; admitted to N.S.W. bar 1879; elected N.S.W. Legislative Assembly 1880; Minister of Public Instruction 1883; criticised Parkes' federation proposals because federation would destroy free trade in N.S.W.; Premier, 1894-9 and finally supported federation; leader of free trade party in Commonwealth Parliament; Prime Minister 1904-5; High Commissioner in London, 1910; died 1918.



in order to increase rural settlement; for in the past thirty years, while urban population had increased from 160,000 to 730,000, the country population had only risen from 190,000 to 338,000, and there were only 40,000 country holdings. By the act of 1894 the squatter was given a long lease and left in possession of all land not actually needed for settlement, and when any land was 'resumed' for non-pastoral uses, the squatter's lease for the remainder of his land was extended for a period proportionate to the amount of land which had been withdrawn. Hitherto the pastoralist, with an uncertain title to his land, and fearing ejection at any minute to make room for the small settler, had been tempted to overstock his run and so destroy it; now with greater security this temptation was reduced. At the same time, vast tracts of land were not kept idle, waiting for settlers who did not come, and meanwhile providing a breeding ground for rabbits. But the selector could get land when he wanted it, even though under the act he was obliged to pay a rent and maintain a home for ever; actually this meant 1908, when the act was amended, and the selector received full freehold rights over his land. Moreover, an Advances to Settlers Act was passed in 1899, and liberalised in 1902, providing for government loans to settlers on fairly easy terms (up to £1,500 at four per cent interest, repayable to thirty-one years after 1902). As a result of these measures, *plus* the railways, low wool prices and improved wheat farming technique, the area under wheat in New South Wales doubled between 1894 and 1899—increasing from 650,000 to 1,400,000 acres—and had doubled again by 1911, when it was more than three million acres; that year the crop—3,500,000 bushels in 1891—was 38,000,000 bushels, and greater than that of any other state of the Commonwealth.

In Victoria wheat-growing expanded too, though it had been more important before 1893 than in New South Wales. But now the railways and improved technique gave a further stimulus. The Mallee lands (of both Victoria and South Australia) were conquered by 'rolling'—that is, by 'dragging



over the land with a team of oxen a heavy roller made from an old engine- boiler or tree-trunk. The snapped stems and foliage were then burned off and the "stump-jump" plough set to work among the mallee-roots that had not burned.<sup>2</sup> William Farrer was at work on his researches to find a means of preventing rust, to which a slow-ripening wheat was so liable in the hot, dry Australian summer; and in 1902 'Federation' wheat crowned the success he had already won with 'Bobs' and 'John Brown' in the 'nineties. This wheat, says Shann, 'literally changed the whole aspect of the Australian wheatfields. It makes a short-strawed crop, unattractive in the paddocks because of a bronze appearance quite unlike the golden harvest of tradition; but it won favour by sheer yield. . . . It wastes little of its time and strength on straw, but throws a moisture content that the sun drinks greedily from soil or leaf into heads well packed with translucent grain. . . . It was this variety which, as dramatically as Macarthur's merinos, laid the firm basis of a great exporting industry, in this case the high quality of the dry, white wheats of Australia.' Moreover, the farmers, spurred on by falling yields and low prices, as well as expert advice, began to use super-phosphates. For a long time they were used very sparingly, but "dry farming," taught by the stern necessity during the persistent drought of the 'nineties,' was widely adopted, for the 'fallow, repeatedly worked to give a firm level seed-bed covered with a mulch of dry tilth, conserves for the crop plenty of nitrates and much of the previous year's rainfall.'<sup>3</sup>

Wheat acreage and total yield increased by 50 per cent in the last decade of the nineteenth century, and rapid progress continued after Federation, when yields per acre began again to increase. Exports, which were 25,000,000 bushels in 1901, were more than 50,000,000 in 1913, when the total yield was 103,000,000 bushels from 9,000,000 acres—compared with 26,000,000 bushels from 3,000,000 acres in 1891. The first wheat-growing state was now New South Wales. South

<sup>2</sup> E. O. G. Shann: *op. cit.*, p. 344.

<sup>3</sup> *Ibid.*, p. 346-7.



Australia had dropped back; her acreage increased only by a third—to 2,200,000 acres—though her crop doubled between 1891 and 1913, when she normally grew more than 20,000,000 bushels. Victoria, too, progressed much more slowly than New South Wales, but in 1913 had 2,500,000 acres under wheat, yielding 33,000,000 bushels, compared with just over 1,000,000 acres, yielding only 12,000,000 bushels, in 1891. Western Australia was by now a wheat-growing state, and in 1913 grew 13,000,000 bushels from 1,000,000 acres.

The pastoralists suffered severely in the 'nineties; on the top of labour troubles and low prices came drought—eight successive dry years reduced the flocks of New South Wales from 57,000,000 in 1894 to 27,000,000 in 1902; of Queensland from 20,000,000 to 7,000,000; and of Victoria and South Australia from 20,000,000 to 15,000,000. Not until 1928 did Australia regain the 106,000,000 sheep she possessed in 1894. But better breeding (or the survival of the fittest) improved the wool yield by nearly 33 per cent between 1891 and 1902; and by 1914, when the flocks had risen again from the 54,000,000 of 1902 to 90,000,000 head, the wool clip, selling at 30 per cent higher prices, was 800,000,000 pounds and double that of 1902, though the best clip before the drought had been only 645,000,000 pounds.

Not only better prices and better yields helped the pastoralist; the development of refrigeration meant that frozen mutton and frozen beef could be sent abroad. Exports of the former trebled and the latter more than doubled between 1901 and 1913; by then the Queensland herds again numbered over 5,000,000, compared with nearly 7,000,000 before the drought; but in the worst year, 1902, only 2,500,000 had survived.

Dairy production for export was now possible also, owing to the invention of refrigeration on ships and the development of land transport in Australia. During the grim, depressed, drought-stricken 'nineties this industry shed a strong and hopeful light, particularly in New South Wales and Vic-



toria. After federation, the expansion continued, and the various governments took steps to provide education in dairy methods and to control quality by inspection. The following table shows the growth of production and export:—

BUTTER PRODUCTION AND EXPORT (Million Lbs.).

*Production.*

Year.	N.S.W.	Victoria.	Q'land.	Australia.	Exports, Australia.
1891 - - - -	18	2	2	47	4
1901 - - - -	41	40	9	102	35
1911 - - - -	83	86	29	212	102

If improved technique and refrigeration had made possible this expansion of rural industries, governments had lent their aid, either directly or indirectly. Railway building, after being cut down during the depression, was pushed on again vigorously after 1900. Victorian Mallee lines were extended; in New South Wales, besides additional branch lines, important new main lines were built in the north, and an extensive programme of duplicating and improving the tracks of the southern and western lines was carried out. In Queensland the North Coast Railway Act, 1910, authorised a through line from Rockhampton to Cairns, via Townsville and Mackay, through the sugar-growing regions—a distance of 569 miles; and over 500 miles of the Great West Railway were also authorised. Work was begun on the trans-continental railway by the Commonwealth Government in 1912—the 1,053 mile line across the desert from Kalgoorlie to Port Augusta, which was estimated to cost £4,000,000. Though the war caused a delay in building, it was opened in 1917, having actually cost more than £6,000,000. In all 19,000 miles of line were opened between 1901 and 1916.

Irrigation schemes, as well as railway building, appealed to the imagination of state politicians. The biggest project was that of the Burrinjuck Dam, on the Murrumbidgee. This was planned to supply water to 200,000 acres, and the first areas were made available for settlers—mainly dairy farmers—in 1913. at Yanco and Mirrool; but in 1938 only



100,000 acres were being irrigated, and £9,500,000 had been spent on the scheme. In Victoria irrigation work was begun on the Upper Murray, Goulburn and Loddon rivers, as well as at Mildura; and in South Australia, at Renmark. In New South Wales, too, the government put down many artesian bores, and in 1912 adopted the policy of 'shallow boring for settlers,' by which the government supplied equipment and carried out approved boring operation for any settler, payment being spread over five years.

Governments also continued their policy of making land available for the small settler. As the crown lands that could be granted, freely or on easy terms, were filled up, repurchase and closer settlement became the order of the day. Queensland was the pioneer—and her dairy industry on the Darling Downs, won from the pastoralists, was her reward; but her example was soon followed by other states. By 1914 over 3,000,000 acres of private lands had been acquired throughout Australia at a cost of over £11,000,000, and 10,000 farmers were settled. These and other settlers were now able to get credit on easy terms from the state banks, following the example set by Western Australia in 1894, and quickly adopted by the other states. Once the settler had been put on the land, supplied with credit, water, and railway transport, he was not forgotten; for the State Agricultural Colleges and Experimental Farms undertook the extremely arduous task of persuading the farmer—a conservative man—to improve his technique.

By 1914 the great depression had been almost forgotten; droughts were a thing of the past; wool and wheat prices were rising and wool and wheat yields were increasing; refrigeration had increased Australia's exportable produce and federation had removed internal tariff barriers; with all these blessings no wonder politicians again waxed enthusiastic, and spoke in glowing terms of limitless resources. All that was needed was capital and men to develop them. Both were coming. Overseas borrowing had begun again to finance public works. Immigration from Britain, *mirabile*



*dictu*, again was being assisted—that is, if the migrants could pass a dictation test.<sup>4</sup> At any rate, 300,000 jumped this hurdle between 1907 and 1914, of whom more than half were 'assisted'; and the total population, after growing slowly from 3,500,000 in 1895 to 4,000,000 in 1905, was almost 5,000,000 in 1914.

In Western Australia, newly granted self-government, the discovery of gold had brought a transformation. Alluvial gold had been found in the 'eighties in scattered places, but all regions of intense heat and prolonged drought—at Southern Cross, half-way from Perth to Kalgoorlie, in the Murchison district, over 300 miles north-east of Perth, and 200 miles inland from Geraldton, and in the north-west, at Pilbarra. In 1891 the Eastern Goldfields railway was authorised—to Southern Cross; but before it reached the field Ford and Bayley, two prospectors, had pushed further east to Coolgardie, where they found gold in plenty. In September, 1892, a rush thither began; 400 men won 3,000 ounces in a month. By the end of the year 4,500 diggers arrived; 5,000 followed next year. Sensational finds were made; but the hardships of heat and inadequate water remained, despite the government construction by 1895 of dams and tanks holding over 13,000,000 gallons.

In 1893 Hannan and Flannigan pushed on to Kalgoorlie, where the full wealth of the 'Golden Mile' was quickly found. Gold yield in Western Australia rose from over £1,000,000 in 1896 to £6,000,000 in 1900; and the total gold output of Australia rose from £7,000,000 to £13,500,000. Population in the West grew from 40,000 to 180,000. In 1896 and 1897 Western Australia was the only Australian colony to raise new loans in London for railways, harbour works, and water supply. In 1896 C. Y. O'Connor put forward a scheme to build a weir at Mundarring, in the Darling ranges near Perth, where the annual rainfall was forty inches; from

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<sup>4</sup> In New South Wales in 1906, in Victoria in 1907, South Australia 1911, Tasmania 1912. For the dictation test see below, p. 130. It was imposed to keep out coloured migrants, and was only in special circumstances applied to British migrants.



there 5,000,000 gallons a day could be pumped along a 330 miles pipe-line to the gold fields. The plan was adopted, and in 1902 the water reached Kalgoorlie, the cost being nearly £2,000,000.

As the gold rush declined, agriculture developed. In 1891 only 64,000 acres were under crop. Liberal land laws encouraged selection by ex-miners, and the Agricultural Bank, established in 1894, provided capital. Despite much speculation and the building up of large estates, 200,000 acres were being cultivated by 1900, and over 1,000,000 in 1911; the wheat yield of 775,000 bushels in 1901 had risen to 5,000,000 bushels ten years later.

By this time Australia was no longer composed of six colonies, but was a federated Commonwealth. When Earl Grey granted responsible government in the 'fifties, he had urged the creation of some form of federal government; but he was before his time. By the end of the century the position had changed. Now the colonies were linked by rail; industry, trade and labour all had federal organisations; and even the colonial governments had on occasions been able to put aside their jealousies and act together, particularly in matters of foreign policy. In 1881 an intercolonial convention discussed the topic of Asiatic immigration; and two years later the various state governments met when the British Government repudiated the action of Queensland in annexing Eastern New Guinea. They declared that a Federal Union was desirable; and after two years there emerged the Federal Council of Australasia, composed of representatives of the state governments. It met at Hobart; but it had no executive powers and New South Wales refused to join. In 1888, at the first Imperial Conference, held at the time of Queen Victoria's Jubilee, the joint arguments of the Colonial Premiers persuaded the British Government to make a treaty with France over the New Hebrides. After this success, and the discussion of questions of defence at the Conference, a report, in 1889, by Major-General Edwards on Australian defence,



aroused interest and anxiety, and again stressed the need for a common policy. Immigration, defence, trade—these and other things were of nation-wide concern; and if defence in the 'nineties did not seem very urgent, the industrial and banking crisis raised economic problems, and made the perennial tariff question more acute.

This problem had been pressing since Victoria's first protective tariff of 1867. At that time, to avoid customs houses on the border, New South Wales and Victoria made an agreement by which Victoria agreed to pay to New South Wales a fair share of the duty collected in Melbourne on goods going to the Riverina via the newly-built railway to the Murray at Echuca; in return New South Wales agreed to tax goods coming to the Riverina up the River Murray from South Australia. But this was as far as agreement ever got. Six colonial conferences met in ten years between 1863 and 1873, but failed to agree on a common policy which might have got rid of customs barriers on the state borders. South Australia and Tasmania tried to force Victoria to reduce her tariff, first by mutual agreement, and then by the pressure of high 'differential' duties imposed on Victorian produce. Both these plans failed; for the Colonial Office forbade the granting by any colony of trade privileges which were inconsistent with British trade treaties. Not until 1873 was the Australian Colonies' Duties Act passed by the British Parliament, allowing the colonies to make reciprocal tariff agreements, notwithstanding any trade treaty which Britain herself had entered into, and which might have been construed to bind the whole Empire.

Three years earlier the British Government had blessed the plan of an Australian Customs Union, which would not have involved differential duties, but would have made trade between the states free. But British blessing did not solve the colonies' differences, while Victoria stood stubbornly for Protection, and New South Wales as obstinately for Free Trade. By 1873 increases in the Victorian tariff and reductions in that of New South Wales made it profit-



able to send goods from Melbourne to the Riverina in bond (duty free), and smuggle them back to Victoria; so Victoria was compelled to establish customs houses along the Murray; the 1867 'treaty' was denounced, and both colonies embarked on a policy of cutting railway rates to attract the Riverina trade. At Albury, in 1876, Sir Hercules Robinson, Governor of New South Wales, complained of this provincialism. 'The policy of railway extensions has been almost solely one of isolation, directed mainly to the object of securing, by one device or another, for the rival capitals, as much of the traffic of the country as possible. . . . It is to the interest of the country at large that the traffic should flow through its natural and most economical channels, and any attempt to divert its course by restrictions or artificial regulations is simply a waste of wealth and power and a common loss.' But local politicians paid no heed, and next year Victoria imposed heavy duties on the transfer of livestock over the Murray.

The economic crisis showed the wastefulness of this policy. The lean years gave Australia serious call to set her house in order; and 'in regard to the tariff a *modus vivendi* became possible through the acknowledged necessity of developing the intercolonial trade.'<sup>5</sup> The colonies had been able to agree on a common immigration policy—why not something more?

Sir Henry Parkes, of New South Wales, set the ball rolling by his famous speech in favour of federation at Tenterfield in 1889. For ten years the campaign went on. Two Conventions, in 1891 and 1897-8, two referenda, in 1898 and 1899, were necessary. Finally the Australian constitution was completed and agreed to, and in 1900 the Commonwealth of Australia Act was passed by the Imperial Parliament.

The federation debates had mainly concerned two questions—one constitutional, on the composition and powers of the Senate; the other economic, concerning the financial relations between states and Commonwealth, involving the tariff,

<sup>5</sup> W. Harrison Moore, quoted by B. Fitzpatrick: *op. cit.*, p. 363.



the control of rivers passing through two or more states, and differential railway rates. From the first it was agreed that trade between the federated colonies should be free, and that the Federal Government should have control of the tariff. But New South Wales feared this meant giving up her policy of Free Trade, and her Premier, Reid, compared her position to that of a sober man entering into a partnership with six drunkards.

The question of fiscal policy was complicated by the fact that most of the states depended on their customs revenue to balance their budgets; under federation this revenue would go to the Commonwealth, who would have to make good the states' loss by paying them a subsidy. Great argument was expended on what was a fair rate of subsidy. Finally the question was settled—the Commonwealth would pay the states three-quarters of its customs revenue for ten years.

The powers of the Commonwealth were limited by the constitution, and all matters not specifically granted to the Commonwealth remained in the hands of the states. Commonwealth laws were supreme in their sphere of subject-matter; otherwise, with very few exceptions, the powers of the states were not limited. There were a few matters laid down in the constitution in which exclusive powers were given to the Commonwealth—for example, the imposition of customs and excise duties, the control of external affairs, of defence and of coining money; otherwise the states could legislate on matters in which the Commonwealth also had legislative power, though in this case, if the laws conflicted, those of the Commonwealth would prevail.

The Commonwealth had no control over industry, except insofar as it was concerned with interstate trade, and none over social services. Later there would be a demand for greater powers. Over interstate trade the Commonwealth had exclusive powers and the states nothing; they could impose neither duty nor bounty; the Commonwealth could even forbid unreasonable differential railway rates. But the



Commonwealth, in turn, was limited by clause 92—that trade between the states should be free. No legislation could run counter to this clause, as the framers of marketing schemes would find in the future. The Commonwealth had powers to deal with industrial disputes; but only if they extended beyond the limits of one state, otherwise they were the concern of the states only; this became a matter of considerable importance when the Commonwealth Arbitration Court was established. But federation was a great step in the direction of national unity; it made many national problems very much easier to tackle; and thus empowered (though limited) the Commonwealth of Australia began its official existence on New Year's Day, 1901.

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## CHAPTER XIV: POLITICS

In 1890 Labour had fought a great industrial battle and had lost. The crushing of the strikes caused union leaders to turn from industrial to political action. 'The rule that Trades Unionism must steer clear of politics was a golden rule when there was so much work to be done within our present industrial environment,' said the Labour Defence Committee, after the maritime strike. 'But that time . . . is drawing to an end, and ere we can radically improve the lot of the worker we must secure a substantial representation in Parliament.' And not only would the party seek legislative benefits for the worker, it would also try and prevent the weapons of the state—police, military forces and penal laws—being used on behalf of the capitalist in the industrial struggle. For the conviction was widespread in labour



circles that the strikers had not been beaten in fair fight, and that only the intervention of the governments, in their endeavours to maintain law and order, had brought victory to the employers.

Particularly strong was this feeling in Queensland, where the repression of the shearers in 1891 and again in 1894 had been very severe. But in Queensland, paradoxically, the Parliamentary Labour party suffered through its own strength. It quickly became the official opposition in the Legislative Assembly, but it could not win a majority; it could neither make nor influence policy, and the only important social legislation to be passed was the Factory and Shops Act of 1900 which made Saturday a compulsory half holiday—the first legal recognition of this in Australia.

Very different was the record in New South Wales, where greater industrial development made labour legislation the more necessary, but where little indeed had been passed. Here Labour Electoral Leagues were formed in 1891 under the guidance of the parliamentary committee of the Trades and Labour Council, with the object of bringing 'all electors who are in favour of democratic and progressive legislation under one banner,' and 'to secure for the wealth producers such legislation as will advance their interests.' So successful was the League that thirty-six Labour members were returned to Parliament at the 1891 elections, giving the party a balance of power in the Legislative Assembly.

'Support in return for concessions' was the policy to be followed in parliament; but this had its difficulties. For to be effective, the party had to be disciplined; it had to vote solidly on important questions, and this it could not do. Some of its members were Protectionists and others Free Traders; and they found it impossible to forget their fiscal views. The Conference of Labour Leagues might decide that the party would support a Government only if it would enact 'a good portion' of the party platform; but in practice protectionist Labour men found it hard to vote against Dibbs' Protectionist Ministry. Finally, the advocates of 'solidarity'



were successful, and at the 1894 elections members of the party pledged themselves to vote according to the decision of the majority of the party on all questions affecting either the principles of the party platform or the fate of the Government.<sup>1</sup>

But the winning of this pledge involved the weakening of the party. Of the original thirty-six, only four remained, and at the next elections only fifteen out of seventy-eight Labour candidates were successful. This meant the loss of the balance of power; but next year there was another election owing to the rejection of several important Government bills by the Upper House, and this time Labour won eighteen seats, and held the balance once more.

For four more years the party kept the Reid Government in office, and the legislative record is impressive from the Labour point of view. Taxes were imposed on land and incomes; the Electoral Act was amended, reducing the period of residence required in a constituency to qualify for a vote—to the advantage of the migratory labourer, shearing or on public works; the mining regulations were tightened up, and a legal maximum nine-hour day imposed; the restrictions on immigrant Chinese were extended to all coloured races; important pure foods provisions were contained in a Public Health Act; and finally a Factory and Shops Act was passed, though amended by the Upper House, enforcing the protection of employees from dangerous machinery, and fixing the permissible hours for the employment of children in factories.

Even so, Labour was not entirely satisfied. The Legislative Council had been hostile; it had lengthened the maximum mining working day from eight to nine hours, and had amended the Factory Act to the detriment of Labour; it had so amended a Navigation Bill that it was withdrawn; and it had summarily rejected bills for the early closing of shops, for probate duties, and for compulsory arbitration in industrial

<sup>1</sup> The pledge also covered questions affecting "the establishment of a monopoly, or the conferring of further privileges on the already privileged classes", but these were dropped in 1895.



disputes.<sup>2</sup> It was true that these set-backs were not the fault of the Premier; but some of the Labour members thought he could have taken a stronger stand with the Upper House if he had so desired; they complained that he was too easily put off by opposition; in short, that better results could be obtained from the Opposition. So in 1899 Labour voted against Reid, and put Sir William Lyne in his place. And Lyne fulfilled his promises. An amending Navigation Act was now passed, as well as an act for the early closing of shops—at 6.0 p.m. on four days a week, 10.0 p.m. on one day, and 1.0 p.m. on the other. Death duties, payable from the property of deceased persons, were increased—up to ten per cent on estates of £100,000. A scheme for paying compensation for injuries in mining accidents was introduced, and the mines' regulations further amended. A Truck Act (against the payment of wages in goods) and a Coal Lumpers' Act swelled the total of legislation, and finally old age pensions were introduced, beginning, by an odd coincidence, in the same month as the next general election, in 1901. In this year an outbreak of bubonic plague drew attention to the filthiness of the docks, so an independent Harbour Trust was established to control the wharves and foreshores, and at the same time the municipal government of Sydney was reformed. In the new parliament, elected in 1901, the party situation was unchanged. To satisfy Labour, increased advances (up to £1,500 instead of £200) to country settlers were permitted, and the policy of closer settlement adopted.<sup>3</sup> But after the 1904 election the old Free Traders and Protectionists coalesced, and Labour went officially into opposition, where it could influence policy less.

In no other state did the Labour party so early gain such influence; but this is not to say that no social legislation was passed. Nineteenth century liberalism and radicalism still survived, and by 1900 all the states but Tasmania had

<sup>2</sup> See below, pp. 127-9.

<sup>3</sup> See above, p. 117.



Factory Acts,<sup>4</sup> and Western Australia and South Australia, as well as New South Wales, early closing acts.<sup>5</sup> But of greater interest and importance than these are the beginnings of industrial arbitration.

The strikes of 1890 and 1891 had brought home to the community the importance of maintaining industrial peace. At first both labour and the employers were hostile to the idea of compulsory arbitration; but gradually their opinions changed. The defeats on the one hand, and the Pyrrhic victories on the other, had done their work; the middle classes, too, realised the inconveniences and losses involved in a major industrial dispute. 'I think citizens have the right to include strikes and lock-outs as one of the evils the state ought to protect them against,' said Kingston, the South Australian radical.

He was the pioneer; he introduced his Arbitration Bill—which included the idea of compulsion—into the South Australian Parliament in 1890. It took four years to pass; meanwhile, New South Wales in 1892, and New Zealand in 1894, had led the way. The New South Wales Act was but a poor thing; it set up an arbitration court lacking power to compel attendance or enforce its decisions; it expired in three years. Not until 1901 was the arbitration system genuinely established, to 'substitute the methods of reason, arbitration, common sense and judgment for the methods of brute force.'<sup>6</sup> The Court of Industrial Arbitration, with a Supreme Court Judge as president, and two assistants representing the working and employing classes, was established to 'hear and determine' disputes. Strikes and lock-outs were forbidden until the case had been heard and an award given; then the terms of the award had to be obeyed in the industry, but there was no compulsion to give or accept work on these terms.

<sup>4</sup> Victoria, 1885 and 1896, and see above, pp. 99-100; South Australia, 1892; Queensland, 1896 and 1900; New South Wales, 1896; Western Australia, 1897.

<sup>5</sup> Western Australia, 1897; New South Wales, 1899; South Australia, 1900.

<sup>6</sup> Speech of W. A. Holman in N.S.W. Legs. Ass., 8 May, 1900, quoted in H. V. Evatt: *Australian Labour Leader*, p. 134.



This was the first effective arbitration court to be set up in Australia. New Zealand had had her court since 1894, but Kingston's proposals in South Australia had been so amended as to be virtually inoperative, as was the first New South Wales court. In 1896 Victoria adopted a different system—that of wages boards. Under the Factory Act of that year six boards were established, consisting of an equal number of employers and employees, with an independent chairman; and these boards were given power to fix wages, hours and conditions of labour. The boards were at first successful, and their use quickly spread, not only in Victoria, but also in other states, which copied them soon after.<sup>7</sup>

But the Arbitration Courts held their own. Western Australia established a court in 1900; South Australia and Queensland in 1912 added court systems to their boards, which gradually became less important. In New South Wales several changes were made. The original act had worked badly. It applied only to organised labour; there was great congestion in the court; disputes were sometimes deliberately manufactured in order to obtain an award, for an industrial dispute was essential for the jurisdiction of the court, and the court had no power to make a 'common rule' throughout an industry. So in 1908 trade boards were established, with power to fix minimum wages in a particular industry, but the court was retained to hear appeals, as well as to deal with industries where no board existed.

Meanwhile, the memory of the great strikes and the interest in arbitration in the 'nineties had had its effect on the Commonwealth constitution. The Federal Government had been given power by the constitution to make laws 'with respect to conciliation and arbitration for the prevention and settlement of trade disputes extending beyond the limits of any one state,' and in 1904 the Commonwealth Arbitration Court was established.

It is probably true that this array of courts and boards

<sup>7</sup> South Australia in 1903-4; N.S.W. in 1908; Tasmania in 1910; Queensland in 1909.



reduced industrial strife to some extent, though it cannot be said that it brought complete industrial peace; there was *not* a 'new province of law and order,' despite the introduction during the 1909 New South Wales coal strike of heavy penalties for breach of awards.<sup>8</sup>

But if industrial peace was not secured, something else was—the basic wage. When the Victorian wages boards were set up, they were instructed to fix wages not less than those paid by 'reputable employers.' In 1905 Judge Heydon, of the New South Wales Court, said it was his aim to ensure that 'every worker, however humble, shall receive enough to enable him to lead a human life, to marry and bring up a family and maintain them and himself with at any rate some small degree of comfort.' What did these vague words mean? In 1907 the 'Harvester judgment' in the federal court applied a standard.

This judgment was the outcome of the policy of the 'New Protection', whose keynote was that excise duties were to be imposed on manufactured goods, but exemption certificates would be granted if the manufacturer paid a wage considered 'fair and reasonable' by the Commonwealth Arbitration Court. Mr. Justice Higgins declared that this must be sufficient to satisfy 'the normal needs of an average employee, regarded as a human being in a civilised country'; food, clothing, shelter and 'frugal comfort' were included—and this required at least £2/2/0 a week in Victoria in 1907.

Next year the High Court declared the 'New Protection' unconstitutional; the states, not the Commonwealth, were to regulate industrial conditions, and customs and excise duties could not be imposed with the object of such regulation. All the same the basic wage remained. In all Federal awards it was the bedrock below which the court would not go; and in 1912 the tribunals of Queensland, Western Australia and South Australia were forbidden by state law to fix a wage less than a 'living wage.'

<sup>8</sup> It was the hold-up of coal supplies owing to this strike that stimulated the Victorian government to open the State coal-mine at Wonthaggi.



The policy of the Federal Labour party received several other setbacks from the High Court during the early years of the Commonwealth. A Trade Marks Act of 1905, providing protection for the 'union label,' a stamp giving special recognition and advantages for articles produced wholly by trade union labour, was declared invalid; an attempt to control monopolies was stopped, except in foreign and interstate trade; and a Seaman's Compensation Act was also nullified insofar as it applied to 'intra-state' as well as 'inter-state' shipping. Attempts to amend the constitution by a referendum to secure power for the Commonwealth to deal with all trade and commerce, monopolies, labour, employment and industrial disputes were rejected, to the satisfaction of the New South Wales party, who feared that the concessions won in that state might be withdrawn by a conservative Commonwealth if the powers were transferred. Nevertheless, the Labour party, holding the balance of power in the Federal Parliament, as it had in New South Wales, secured many of its cherished measures; and after the non-Labour parties coalesced in 1908, it was only two years until Labour won a resounding victory at the polls, and took office itself.

The first success had been with immigration and the 'White Australia Policy.' The Immigration Restriction Act, passed in 1901, gave power to exclude any immigrant who could not pass a dictation test in *any* prescribed European language—which might even, when occasion demanded, be Gaelic! The Kanakas were to be repatriated from Queensland, and the sugar industry protected by bounty. Even white immigrants, bound 'under a contract to perform manual labour in the Commonwealth,' were excluded, unless certified to possess 'special technical skill.' Parochial perhaps; but 'coloured aliens were not nice people to be seen in the lonely bush of Australia,' and the 'Italian is not civilised in the ordinary sense . . . with a knife in his hand and a razor in his pocket.'<sup>9</sup>

<sup>9</sup> Commonwealth Parliamentary Debates, quoted Cambridge History of the British Empire, vol. vii, pp. 501-2.



In 1908 the tariff went up, for the 'New Protection' could not stand the 'wishy-washy half-and-half tariff' imposed in 1902; even when the 'New Protection' went out, the higher duties remained, for high duties enabled manufacturers to charge higher prices and so to pay higher wages, without being undersold by imports. In 1908, too, before Labour threw out the Deakin Government, old age and invalid pensions were introduced.

In 1910 the new Labour Government pressed on with the Labour programme. The Federal Land Tax of 1910 was designed to break up big estates. In 1911 the Commonwealth Bank was established, not as a central bank to manage credit for the benefit of the community, but to compete with the private profit-making banks 'whose gradual extinction . . . would follow as a matter of course'—a first instalment of socialism. In 1911 the principle of workers' compensation was applied to seamen, and in 1913 a Navigation Act 'protected' Australian coastal shipping and improved seamen's conditions.<sup>10</sup>

In the states also Labour had its successes, and in 1915 was in office in every state except Victoria. It had done best in New South Wales, where it had been in office since 1910, and, besides passing social legislation, it had extended the number of state-owned enterprises—coal mines, brick works, metal quarries, monier pipe and reinforced concrete works, trawling and baking. It had also been planned to found a state iron and steel works, but this was abandoned when the Broken Hill Proprietary Co. (B.H.P.) announced that it intended to build works at Newcastle.<sup>11</sup>

The rapid growth of the political Labour party was quite surprising, even to some of its own supporters. In 1908 W. A. Holman, of the New South Wales Labour party, had said: 'Labour must still make a very substantial advance before it can control a Federal majority, and it was looked upon (*sic*) . . . as quite conceivable . . . that some years of

<sup>10</sup> This Act did not come into operation until after the Great War, 1914-1918.

<sup>11</sup> See p. 133.



barren opposition might be lying ahead of it.'<sup>12</sup> Yet, two years later, it had won an overwhelming triumph.

Part of the success was probably due to the growth of industry and mining, with a corresponding increase of Trades Union membership; but only part; for though Australia had been advancing industrially for half a century, the growth had halted after the crisis in the 'nineties and was only slowly recovering. In 1891 thirty-one per cent of bread-winners were employed in industry,<sup>13</sup> but in 1901 only twenty-six per cent, and even in 1911 only twenty-eight per cent, while just over thirty per cent were engaged in primary production during the whole period, 1891-1911, so that the latter was still the more important. That the number of factories and those employed in factories was increasing as the population grew, particularly in Victoria and New South Wales, is shown by the following table:—

#### NUMBERS EMPLOYED IN FACTORIES—VICTORIA AND NEW SOUTH WALES.

Year . . . .	1861	1871	1881	1891	1901	1911
<b>Victoria—</b>						
No. of factories . . . . .	531	—	2,488	3,141	3,249	5,126
Nos. employed in factories	—	20,000	—	53,000	66,000	112,000
<b>New South Wales—</b>						
No. of factories . . . . .	601	—	2,961	3,056	3,867	5,039
Nos. employed in factories	—	13,500	—	51,000	66,000	109,000

All the same Australian industry was still chiefly 'domestic,' tied to primary production and consumers' immediate needs, specialising in clothing, food and drink, agricultural machinery, wood-work, vehicles and fittings, saddlery, books and printing. In 1914 there were only 330,000 employed in factories in the whole of Australia, out of a population of nearly five millions; and though factory production was worth £166,000,000, pastoral and agricultural production was worth more than £200,000,000.

<sup>12</sup> Quoted, H. V. Evatt: *op. cit.*, p. 221.

<sup>13</sup> Earlier figures are not available. See B. Fitzpatrick, *op. cit.*, pp xxvii, ff, 278-9 and 366-7.



Mining advanced rapidly, reducing Australia's dependence on rural industries, and building up a large wage-earning class. Gold was still the most important mineral. After a slow decline for thirty years after 1858, output again began to increase after 1888, thanks to a revival in Victoria and, far more important, the great finds in Western Australia. By 1893 output was worth £6,000,000, and, ten years later, more than £16,000,000, though by 1914 it had dropped to £9,000,000, and the number of gold miners had fallen from 70,000 to 30,000. More than half this production came from the West, more than one-fifth from Victoria, and one-sixth from Queensland.

Silver output, mainly from Broken Hill, averaged about £3,000,000 a year, and remained remarkably steady. Copper output increased considerably after 1896, as Queensland (with fields at Cloncurry and Mount Morgan) replaced South Australia as the chief producer—from 48,000 tons in 1901 (about eight per cent of world output) to 57,000 tons in 1912 (five per cent of world output). The output of tin nearly doubled between Federation and the war, owing to great expansion in both Queensland (at Herberton) and Tasmania (Mount Bischoff); and after 1900 zinc was extracted on a large scale at Broken Hill, so that the output of 50,000 tons in 1899 was raised to over 500,000 tons (worth £1,500,000) in 1912.

More important for the future was the development of the iron and coal fields. Iron-mining was quite new to Australia, and began on a considerable scale when C. H. Hoskins purchased the iron-works at Lithgow (N.S.W.) in 1907. In 1909 the Commonwealth Government granted a bounty on pig-iron or steel made from Australian ore, and shortly after the B.H.P. Company began to work the valuable South Australian deposits near Whyalla, first for use in smelting at Port Pirie (South Australia) the output of the Broken Hill silver-zinc mines, and then for the manufacture of iron and steel at Newcastle (N.S.W.), where their works were opened in 1915.



Railways, a growing export trade, and industrial development stimulated the coal industry also; output, which had been only 4,000,000 tons in 1891, was 7,000,000 in 1901, and 12,000,000 in 1913. Five-sixths of this output came from New South Wales, though Queensland, Victoria and Western Australia were trying to develop their somewhat limited resources, owing to fear of interstate supplies being interrupted by industrial disputes. Total output was worth nearly £5,000,000, and exports (including ships' bunker coal) were worth £2,000,000 in 1912, when 22,000 persons were employed in coal-mining, and 18,000 of them in New South Wales.

With these developments in industry and mining, trade union membership grew rapidly. After the strikes in the 'nineties, when Labour seemed beaten, and industry was depressed, only about 50,000 retained their union membership; but by 1901 there were 97,000 union members, 147,000 in 1906, 345,000 in 1911 and over 500,000 when war came in 1914; and this growth was assisted by the practice of the various Arbitration Courts, which dealt with organised labour only.

It was no wonder, then, that the political Labour party grew at the same time. But, even so, they would have been helpless minorities in all parliaments, had they not obtained widespread support outside the union movement, and outside the ranks of the proletariat. Admittedly the political Labour party was well organised and well disciplined; but no amount of organisation and discipline can make up for lack of numbers, as was shown in Victoria, where the survival of an active Liberal party prevented Labour gaining the extra recruits it needed.

Elsewhere Labour had gained substantial outside support, so that it was able to win elections and hold office. The reason was that the party's policy was moderate and practical. There was no doctrinaire socialism, except in Queensland, where William Lane persuaded the party to declare, in 1891, that 'the competitive system is destructive, pernicious



and altogether evil, and must be replaced by a social system . . . which can only be reached by working together each for all and all for each'; but two years later Lane went to seek his Utopia not in Queensland but in Paraguay. Henceforth Queensland Labour, like that of other states, adhered to a programme drawn in large part from that of the earlier Liberals and Radicals—the completion of political democracy by abolishing plural voting and Upper Houses, a reformist industrial policy, including hours, wages and factory regulation, arbitration, white Australia and the restriction of foreign immigration, taxes on land and incomes, navigation laws and old age pensions—all projects with a wide electoral appeal. The party was very circumspect regarding socialism, and the objective, adopted in 1905, read:—'The securing of full results of their industry to all producers, by the collective ownership of monopolies, and the extension of the industrial and economic functions of the State,' which meant, where possible, state competition with private enterprise, to keep down profits, and where this was not possible because of monopoly, then the monopoly should be nationalised.

A crusade against monopolies is always popular; it is not socialism, and it was a particularly good cry in Australia in 1900. Geography and the tariff made the building of trusts relatively easy, and collective bargaining favoured employers' organisations as much as Trade Unions. A coal 'vend' at Newcastle had been formed in the 'seventies, and again in the 'nineties, though neither lived long. But in 1906 a successful agreement was made, fixing price and output for all members, giving higher prices and profits. These were not excessive; but a real grievance arose from the agreement between the 'vend' and the shipping combine, which had been formed in 1901. The latter killed competition by deferred rebates; it raised freights and fares, while building bigger and better steamers; it enabled the payment of high dividends, the accumulation of big reserves, and the watering of capital. The price of coal in Victoria rose from 10/6 a ton in 1905 to 15/5 in 1910; in South Australia from



11/9 to 17/- a ton. Thus the shipping combine, by high freights, minimised the advantages of interstate free trade, long before the passing of the Navigation Act improving working conditions for seamen, and not until 1916 did the Commonwealth buy its own ships to compete with the combine.

Other important monopolies were organised in jam, tobacco, and sugar. The Colonial Sugar Refining Company, formed in 1854, first obtained control of the refining process by killing or absorbing all rivals; then it extended its operations to cane-crushing. In 1911-1912 its affairs were investigated by a Royal Commission, which reported that, while the company was highly efficient, it had committed injustice by paying low prices to the grower and charging high prices from the consumer. In 1906 the Australian Industries Preservation Act attempted to prevent such monopolies, but it was a dead letter, and a proposal to amend the constitution so that they might be nationalised was rejected.

So by 1914 free enterprise in the Australian economy was no longer unfettered. On the one hand, it might be said that 'if any man or group of men is permitted to establish a monopoly in a single necessity of life, *to that extent* that man is monarch of the community, and as free independent citizens of Australia we deny that we have struggled away from the tyranny of the old regime, that we have fought our way out of the old military institutions of the colony, that we have overthrown the Dictatorship of Downing Street and established self-governing and constitutional institutions here, in order to subject ourselves again to unrestricted and unfettered tyranny of an economic mastership such as the monopolists would be able to impose on us.'<sup>14</sup> On the other hand, Government was controlling hours, wages and conditions of labour, intervening in industrial disputes, imposing customs duties, as well as acting as monopolist itself in many important spheres of the economy. Liberal and Labour Governments

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<sup>14</sup> Speech of W. A. Holman, Labour Premier of N.S.W., quoted by H. V. Evatt, *op. cit.*, p. 186.



had made many adjustments between workers, employers and taxpayers, and the principle was recognised that, while industrial capital investment should be protected and assisted, industry in return should pay attention to the working conditions and standard of life of its labour force.

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## CHAPTER XV: WAR

In 1914 the growth of Australian prosperity was modified by the outbreak of war. Australia had not then the industrial resources she possessed twenty-five years later; her economic contribution would consist mainly in supplying food and certain important raw materials to her allies. Further, she depended on overseas markets for the sale of her primary products, on overseas supplies of manufactured goods and on overseas supplies of capital, and overseas trade was interrupted, if not cut off. Hence readjustments had to be made.

The first problem was financial. The states were already committed to a heavy programme of public works to be financed by overseas loans; Great Britain now refused to lend money, except for war purposes. The states might have cut down their works programmes, but they feared unemployment. In fact during the war state debts rose by £100,000,000, and little of this money was spent on war works. Ordinary development went on; the idea of total war was not yet known.

This borrowing, except in the case of New South Wales, was done through the Commonwealth. Co-operation was



necessary if the loans were to be successful, for the Commonwealth Government was raising loans also, for war purposes. Up to June, 1919, only £46,000,000 of war expenditure was paid out of revenue; loans of £194,000,000 were raised in Australia, and £92,000,000 were borrowed in London.

Naturally such borrowings strained the resources of the Australian loan market; in fact, they would have been impossible had not a policy of inflation been adopted at the same time. The note issue of the Treasury rose from £9,500,000 in 1914 to £32,000,000 in 1915, and £52,000,000 in 1918. Gold reserves (which were legally obligatory up to 25 per cent of the value of the notes) expanded at the same time; for gold was still being mined and its export was prohibited; but gold sovereigns went out of circulation, and the banks accepted notes as full legal tender.

This expansion of the note issue made the raising of loans easier, but it also led to a rise in prices. By June, 1915, wholesale prices had increased by 40 per cent above the level of the previous year and, though they then became steadier, by 1918 the increase was 68 per cent; retail prices rose 47 per cent during the war. Part of the sharp rise in 1915 was due to the drought of that year; part was due to higher costs of imports due to the rise in shipping freights and overseas prices; but the inflationary policy of the government must bear the major share of the blame.

Attempts were made to control prices, first through the states, and later, in 1916, by the Commonwealth Price Fixing Commissioner. This policy had slight success, for the rise was due not to profiteering, as was commonly alleged, but to the inflation caused by an unsound financial policy.

The rise in prices had a bad effect on the industrial situation also, for by reducing real wages it caused unrest. Not that this was the only cause of strikes, particularly in 1916 and 1917. In the former year there was a major coal strike for an eight-hour day 'bank-to-bank'—that is, eight hours from the time the first person enters the mine till the last



person leaves it; in 1917 a fairly general strike, involving miners, seamen, waterside workers and transport employees, started owing to the introduction of a 'time-card' system, alleged to be 'speeding-up,' in the New South Wales Railway workshops, at the same time as the waterside workers were striving for increased wages and better conditions.

The general strain of war-time and the pinch of higher prices had added to them psychological reactions which increased discontent. There was the intense bitterness of the campaigns to introduce conscription for overseas service, and continued allegations of profiteering against employers. Mr. Fisher, Prime Minister, in 1914, had promised that Australia would help Britain to the 'last man and the last shilling'; the conscription referenda had demanded 'the last man,' but there seemed reluctance to take the 'last shilling.' War loans were raised—at five per cent; but taxation was raised slowly. Succession duties were imposed at the outbreak of war, but only in one year did they raise £1,000,000, for the rate ranged only from one per cent on estates of £1000 to a maximum of fifteen per cent on estates over £71,000. Federal income tax followed in 1915, which raised only moderate sums—£4,000,000 in 1915-16, rising to £10,000,000 in 1918-19, as prices and incomes rose. Entertainments tax, war postage, and a war-time profits tax (taking three-quarters of profits earned in excess of ten per cent on capital) increased revenue a little. But not until after the war did Commonwealth revenue exceed £30,000,000, of which two-thirds came from customs duties, which, like all indirect taxation, fell most heavily on low incomes. Taxation is conscription of wealth; but, while Britain increased her taxes per head from £3/11/4 in 1913-14 to £13/1/6 in 1917-18, Australia increased hers only from £4/14/0 to £6/15/3.<sup>1</sup>

Apart from the need to raise money to pay for her war expenditure, Australia was faced with a difficult problem in marketing her primary produce, for her continental markets were gone, and shipping was scarce. At the outbreak of

<sup>1</sup> See H. V. Evatt: *Australian Labour Leader*, ch. II.



war embargoes had been placed on the export of several commodities, except to Great Britain or under licence. In February, 1915, the British Government bought, for the duration, the whole available supply of beef and mutton. As regards wool, at first Great Britain had wanted only cross-bred wool for uniforms, and the embargo temporarily placed on the export of merino was withdrawn. During 1915 merino wool was exported fairly freely to allied and neutral countries, but in February 1916 the embargo was re-imposed, and in November the British Government bought the whole Australian clip for the remainder of the war, at  $15\frac{1}{2}$  pence per pound—fifty-five per cent more than pre-war prices. Wool was paid for on the appraisement system by a Central Wool Committee. Some wool was resold at a profit on the open market, and in 1920 the Committee distributed over £7,000,000 among the growers, thus giving a five per cent bonus (over the guaranteed price of  $15\frac{1}{2}$  pence) on all wool appraised.

The disposal of Australian wheat was complicated by the shipping shortage, for wheat is a very bulky commodity. The crop of 1914-15 was a failure owing to drought, and no surplus for export was available. Next year the crop was a record—14,500,000 acres yielded 170,000,000 bushels. Complicated negotiations for its sale and transport followed, which were only successful owing to the expected failure of the North American crop. An Australian wheat pool was established to supervise the marketing of wheat, and made advances to growers pending sale. In November, 1916, Mr. Hughes was able to persuade the British Government, which feared a shortage, to buy the whole 1915-16 crop, and to undertake responsibility for its transport. Between 1916 and 1919 the Australian wheat pool sold 447,000,000 bushels at an average price of nearly 4/- a bushel.

But as the war went on the shipping shortage became extremely acute. Much wheat—partly the property of the British Government—was held up through the shortage and was attacked by mice and weevils. As Professor Scott points



out, 'mice are gifted with a fecundity fully equal to that of any of the pests which figured among the plagues of Egypt. The female (*mus musculus*) is capable of producing a family of four to eight within twenty-one days, and can repeat this maternal operation every six weeks. The conditions in the wheat areas in 1916-17 were exciting for mice, which appeared literally in millions. . . . In June . . . thirteen tons of mice were destroyed in three days at eight Victorian railway stations where grain had been stacked'—the highest was 168,000 mice at Lascelles.<sup>2</sup>

To get ships, for wheat and other purposes, had been one of Mr. Hughes' main aims during his visit to England in 1916. After trying in vain to persuade the British Shipping Control Committee to release ships for Australia, he decided to buy a fleet of Commonwealth steamers, and thus incidentally carry out a long cherished aim of the Labour party. So fifteen 'tramps' were bought for £2,000,000, vessels nine years old 'without pretensions to smartness or beauty of line' . . . but ready 'to go anywhere at a steady eight knots, or to dash along at eight and a half if there were need for hurrying!'<sup>3</sup>

During the war the venture was entirely successful. Freights had soared, and by 1919 the ships had earned more than they had cost—profits in 1919 alone were more than £1,000,000—and this despite the fact that the price paid was more than six times greater than the original cost of building, which indicates the measure of profiteering in the shipping trade at the time.<sup>4</sup>

From buying ships, the Commonwealth Government went on to build them; for with costs high in England, it was estimated that local producers could save several pounds a ton. This was possible through the opening of the B.H.P. steelworks at Newcastle. Hitherto some iron and steel had been produced by Hoskins Brothers, at Lithgow, New South Wales, who, aided by a bounty from the Commonwealth

<sup>2</sup> E. Scott: *Australia During the War* (vol. xi of the 'Official History'), p. 589.

<sup>3</sup> The quotations are from Scott: *op. cit.*, p. 617.

<sup>4</sup> Unfortunately post-war results were not so happy, and by 1928 the Line was sold at a loss.



Government, turned out 75,000 tons of pig iron in 1914. But B.H.P. held a lease of iron deposits at Iron Knob and Iron Monarch, in South Australia. In 1912, when the New South Wales Government proposed to establish a state steel works, B.H.P. suggested that it would establish a works at Newcastle, New South Wales, close to the coal-fields, whither it would bring the ore mined in South Australia. An agreement was made with the New South Wales Government, and on a site on the Newcastle waterfront, reclaimed from mangrove swamp, the steel works arose—a blast furnace, coke ovens, basic open hearth steel furnaces, a blooming and rail and structural mill. On the ninth of March, 1915, the blast furnace was blown in, and in 1919 the output of pig iron in Australia was 332,000 tons.

The metal industries were expanded also, as might be expected in war-time. The government was anxious to free the metal industry from foreign—especially German—control. In September, 1915, the Australian metal exchange was established to control exports. In the same year the Broken Hill Associated Smelters Proprietary was established, a co-operative institution for smelting silver and lead ores, capable of an annual output of 200,000 tons of pig lead and 5,000,000 ounces of silver. In 1916, to treat zinc concentrates, the Electrolytic Zinc Company was founded, and installed works at Risdon, Tasmania, using hydro-electric power under contract with the Tasmanian Government. An agreement was made with the British Government to sell a minimum of 100,000 tons of zinc a year for the duration of the war and ten years thereafter, at a price between £30 and £40 a ton. This agreement cost Great Britain dearly; for the market price of zinc fell after the war, and by 1929 the excess paid by the British Government was nearly £6,000,000. An electrolytic refining plant for copper was established at Port Kembla (N.S.W.), and in 1918 the production of refined lead, copper and zinc in Australia was 210,000 tons—more than double the pre-war output. The output of gold declined from a value of £9,000,000 in 1913 to £5,500,000 in



1918, as the result of rising costs, a fixed price, and prohibition of export.

The expansion of other manufactures was limited by the difficulty of obtaining machinery; consequently the shortage of civilian goods became acute. But the average value of manufactured goods, allowing for higher prices, was thirty-three per cent greater in the years 1921-4 than in 1911-13, and the value of agricultured and dairy produce was over twenty-five per cent higher; on the other hand, mining was thirty-three per cent lower, and pasture sixteen per cent lower. Population increased by 507,000 between 1913 and 1918, reaching 5,380,000; the number of employees in factories rose from 337,000 to 376,000.

Australia emerged from the war with manufactures stimulated, and the powers of the Commonwealth Government increased; on the other hand burdened with a high cost of living and heavy debts. The next decade would see the struggle for adjustment, a struggle which, for good or ill, was markedly influenced by the reaction which developed against government interference in economic life, which, however necessary in war-time, was, after the war, regarded as excessive.

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## CHAPTER XVI: PROSPERITY

The war over, Australia was informed by her politicians that she was now a 'nation.' Mr. Hughes and Sir Joseph Cook signed, as members of the British delegation, a 'scrap of paper'—sometimes known as the Treaty of Versailles. Also, Australia became a member of the League of Nations, and thus a colleague of the great, like Britain, France—as well



as of the small, such as Nicaragua, Portugal and Paraguay. More materially, she found that she had lost nearly 60,000 men, killed, and had suffered 160,000 other casualties; she had incurred a war debt of £92,000,000 in Great Britain and £250,000,000 in Australia<sup>1</sup>; she found that her wheat was worth about 9/- a bushel in 1919, and 7/6 in 1920, and her wool was worth 2/- a pound; and that there were over 160,000 soldiers returning in 1919 who had to be re-absorbed into civil life. Mr. Hughes, Prime Minister, promised a new and better world. 'Australia is safe,' he said, 'and liberty is now assured to us and all men . . . we turn now from war to peace. . . . Victory is ours, but the price of victory is heavy. . . . Upon the foundations of victory we would build the new temple of our choice.'<sup>2</sup>

This temple, as might be expected at such a time, was to be an imperial one. Migrants were to be assisted from Great Britain to the Dominions, where they would help to fill up the 'open spaces' and to develop the 'inexhaustible resources' that loomed so large in the imagination of the time. A century earlier, Wakefield had put forward his theory of colonisation, based on land sales at a 'sufficient price.' Now, there was little land to sell, at any price; but the new imperial policy had its theory, and its slogan—'men, money, markets.'

First, men to migrate to the Dominions; for, said Mr. Amery, the Dominions Secretary, oblivious to such mundane matters as birth and death rates, not to mention resources, 'if the United States have grown in the last century from five millions to a hundred millions, there is no reason why, in the coming century, we should not grow to a population of two hundred to three hundred millions of white people in the Empire.'<sup>3</sup>

The great undeveloped resources needed capital to develop them. Hence the need of money; and migration was linked

1 This includes three 'peace loans' mainly for expenditure arising out of the war, which were floated after hostilities had ceased.

2 Speech on the Peace Treaty. Commonwealth Parliament, 10th Sept., 1919.

3 Quoted, W. K. Hancock: Survey of British Commonwealth Affairs, vol. II, part I, p. 149.



with loans. First, by the Empire Settlement Act of 1922, the British Government promised to lend up to £3,000,000 a year, for fifteen years, to the Dominions, to promote Empire Settlement, and re-distribute the white population of the Empire, whose prosperity and vitality would thus be increased. Then in 1925, following an agreement about passage fares, the '£34,000,000 Agreement' was made between Great Britain and the Australian Commonwealth; and the two Governments promised to lend not more than £34,000,000 to the states, over a period of ten years, for approved schemes of development. In return, the states guaranteed to settle one assisted immigrant for every £75 received. Thus, it was hoped, within the ten years, 450,000 British migrants would be settled in Australia. In 1926, the Development and Migration Commission was set up in Australia, to consider and approve schemes under the Agreement.

The plan worked until 1929. Between 1921 and 1929, 323,000 immigrants arrived in Australia, of whom 212,000 were assisted, approximately half the number planned, though some optimists had hoped for even more—100,000 a year was the airy estimate of Sir Granville Ryrie, Australian High Commissioner in London, in 1927. Not all the projects were as costly as Group Settlement in Western Australia, where instead of settling 6,000 farmers at a cost of £6,000,000, 2,000 were established for £9,000,000<sup>4</sup>. But the Development and Migration Commission found difficulty in approving schemes, and only £8,850,000 was authorised to be spent under the agreement. Yet plenty of money was borrowed—over £200 millions between 1922 and 1928, nearly all by the states, and nearly half from overseas. Development of resources was not held back. Railways (4000 miles), irrigation (300,000 acres—two-thirds in Victoria), closer settlement, soldier settlement—all these, and more, were carried out, with great enthusiasm if little wisdom.

The cost of rural development is shown by the following figures for soldier and closer settlement for this period:—

<sup>4</sup> For further details, see D. Gordon Taylor in *Peopling of Australia* (2nd Series).



# COSTS OF RURAL SETTLEMENT, 1919-29.

	Year	N.S.W.	Victoria	Queensland	S. Aus.	W. Aus.	Tasmania (Aust.)	Total
Area allotted for closer settlement (thousand acres) .....	1919	801	571	692	749	305	75	3,193
	1929	4,000	1,000	970	777	560	100	7,400
Cost of purchase by the State (thousand £) .....	1919	3,100	4,200	2,000(A)	2,400	421(A)	297	12,400
	1929	14,300	8,000	2,300	2,500	575	366	28,100
Amounts outstanding of advances to settlers (excluding soldiers) (thous. £)...	1919	2,600	1,950	1,600	1,300	2,800	107	10,400
	1929	14,000	13,000	3,000	4,500	6,000	250	40,750
Areas allotted for soldier settlement (thousand acres)	1929	8,000	2,200	441	2,400	14,000	333	27,800
Cost of land for soldier settlement (thousand £) .....	1929	8,000	13,400	270	4,400	605	2,000	28,700
Losses of soldier settlement due to land purchase and advances (thousand £) .....	1929	7,000	7,700	1,850	3,560	2,000	1,300	23,500

(A) In 1919 Queensland had 93,000 acres and Western Australia 126,000 acres acquired (and paid for) by the State, but not then allotted to settlers.

Source: Commonwealth Year Books; and Pike Report on Losses due to Soldier Settlement.



The British Economic Mission of 1928 found 'an area laid out for an irrigation scheme without a preliminary soil survey to make sure of the suitability of the ground for the purposes for which the irrigation has been provided'; and after the Hume Weir on the Murray was half completed, the Murray River Advisory Committee was entrusted 'with the by no means easy task of advising on the question to what purposes the new areas of land, which will be made irrigable by means of the Hume Reservoir, can be profitably put, having regard to the difficulty of disposing of the produce from the irrigation areas already existing, and on the extent to which any projects which may fairly be anticipated from the new irrigable areas will outweigh the loss which must be occasioned by the submerging of the valuable land already in use above the site of the Hume Reservoir.' But what matter the use of the land? Australia now had the fifth largest dam in the world!

The same carefree abandon marked the Soldier Settlement and Closer Settlement Schemes. Granted that the former was a debt of honour, nearly £50,000,000 was advanced to soldier settlers under circumstances in which an experienced practical farmer could not make a living. No wonder that of the 37,000 settled, one-third quickly left their holdings, and that by 1928 (before the depression) half the money advanced had to be written off as lost. For clearing expenses, interest payments, the cost of farming requisites, fluctuating rainfall, falling prices and blocks too small to support a family even under favourable conditions, all combined to make the situation of many soldier settlers an impossible one.<sup>5</sup>

Neither men nor money were lacking in the prosperous 'twenties. But what of the third element in imperial development—markets? If men settled and opened up the 'inexhaustible resources' of the country, could their products be sold? There indeed was the rub. The Dominions suggested

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<sup>5</sup> See the report of Mr. Justice Pike on Losses due to Soldier Settlement, and B. Fitzpatrick: *op. cit.*, pp. 409-10.



Imperial Preference in the British market; and by Imperial Preference they meant protection against foreign producers. Their politicians pointed to the preference granted to British products by their tariffs; and they demanded reciprocity. But the English, foolish people, wanted a 'free breakfast table'; and although they granted a preference on wine and sugar and dried fruits, they were reluctant to do more. Consequently Australian exporters had to sell wool and wheat and meat and butter on the British and world markets without preference, and without protection against any economic blizzards that might blow.

For a time they did not blow too hard. In fact the world price of wool and wheat brought a pleasant and stimulating breeze—too pleasant, too stimulating. Wheat acreage, over 12,000,000 in 1915, though only 6,500,000 in 1919, rose to 15,000,000 in 1929, and yields, allowing for seasonal fluctuations, tended upward. But perversely the price tended downward—6/8, 6/4, 5/7, 5/6, 4/10 to 5/- in 1929, and much worse was to come in the depression. This fall might have given governments and farmers food for thought—but it didn't; cultivation continued to spread to 'marginal' areas.

Nor was the pastoralist—staunch individualist, without the 'fostering care of governments'—much wiser. With the price for greasy wool fluctuating about 20 pence a pound, the future looked rosy. The number of sheep grew from 82,000,000 in 1920 to 110,000,000 ten years later—half in New South Wales and a quarter in Queensland; Victorian grazing land carrying one sheep to the acre was sold for £8 an acre in 1928-9, when a reasonable figure would have been about £2/10/0, so that when wool prices fell, the grazier was in difficulties. Nor was he able to rely on beef and mutton to extricate him; for apart from foreign competition, and the preference for chilled rather than frozen meat, the droughts in the 'twenties had compelled the slaughtering of herds.

There were other rural industries—dairying, sugar, fruit—where boom conditions stimulated output; for example a



butter price of over 2/6 a pound in 1920, and a sugar price of £30 a ton. The average annual production of butter rose from 180,000,000 pounds in 1912-16 to 269,000,000 between 1923-8; that of sugar from 207,000 tons in 1910 to over half a million in 1930, and sugar exports, negligible until 1924, were 200,000 tons in 1929.

This development of sugar, like that of dried and canned fruits, was made possible largely by protection; without 'government fostering care' these industries would have been but puny specimens (a good thing too, according to the die-hard Free Trader). The sugar scheme had started as a bounty on sugar grown with white labour, plus a tariff on imported sugar, grown by black labour. During the war, the world price of sugar soared; but that of Australian sugar was kept down; the Federal Government bought the whole crop, and sold it and the necessary imports at cost price. In this way the Australian consumer obtained his sugar below the world price, although with increasing costs and higher wages, the Australian price gradually rose.

After 1923 the situation was reversed. Australia now had surplus sugar to export; but world prices had fallen, so that it could only be sold at a loss. The government came to the rescue. Imports of sugar were prohibited, and the sugar growers were allowed to charge a high price in Australia, so that they could recoup the losses due to sales overseas. For example, in 1925-6, fifty-six per cent of the crop was consumed in Australia, the price being £27 per ton; forty-four per cent was exported (mainly to England, where Empire sugar received a tariff preference) and sold at £11/6/0 a ton; thus the average price to the sugar grower was £19/10/0 a ton, and the subsidy on exports, paid by the consumer in high home prices, was £2,175,000—which was very good for the sugar grower, the cane cutters, and the monopolist refining company.

The same trick was worked with butter in 1926 by the Paterson Scheme, intended 'to put the producer in exactly the same position with regard to the Australian-consumed



part of his production as would automatically obtain if there were no exportable surplus produced.' It didn't; as regards the 'Australian-consumed part of production' it put him better. Method—an import duty on butter of sixpence a pound, and a levy of one penny halfpenny per pound on all butter to create a fund from which could be distributed a bounty of three pence per pound on butter exported; so by a high-home price, exports were subsidised, at a cost, in 1929, of about fourpence per pound of butter consumed at home, or £3,000,000 per year.

Dried fruits received the same treatment, with this difference: that as the proportion of crop exported was greater, the home price had to be all the greater too, to compensate for losses on exports. Sultanias, for example, cost £57 a ton in Victoria in 1929, to give an average return to the grower of £42, when the British price (although in this case there *was* a preference<sup>6</sup>) was £37/10/0. Thus the Australian consumer paid £15 a ton extra, to give a subsidy on exports of £4/10/0. This cost £250,000 a year; and to grow these dried fruits, and fresh fruits, Australian governments were spending huge sums on irrigation works! Had everyone gone mad?

Not mad; they were merely over-optimistic. During the boom period of post-war prices, when the future looked rosy, excessive expansion had taken place. The growers, with their markets falling, had to be protected, if the Australian standard of living was to be maintained. And this was still sacrosanct, both in primary and secondary industry. So the tariff grew, on primary produce as well as on manufactures. This was not altogether a bad thing, though it caused problems enough. The conclusion of the Tariff Enquiry Committee in 1929, was<sup>7</sup>:—

'The tariff imposes heavy costs, but there are compensations. Australian resources in relation to population

6 See above, p. 148.

7 The Australian Tariff: An Economic Enquiry (M.U.P., 1929): pp. 3-5.



are sufficient at present to carry without distress any net burden there may be.

We estimate that Australian products which are protected cost £36,000,000 more than the same goods could be imported for, duty free.

Protected manufactured goods cost about £26,000,000 more than free imports, and protected primary products about £10,000,000.

The effects of this cost are to increase the number of industries and the volume of production which cannot subsist without the tariff or other assistance.

Owing to the quality of our uncultivated land and the effect of increased exports on the market, we are satisfied that the same average income for the *same population* could not have been obtained without protection.

The diversion of production to the protected industries has increased the diversity of occupations and of opportunities, and introduced more stability into the national income than if it had been more dependent on the seasons and the vagaries of overseas markets.'

It is undoubted that the tariff stimulated manufactures; but that is not to say that most of them would not have developed had protection been absent. Half the national income of 1929 came from sheltered industries, that is from those immune by their very nature from overseas competition, and though not all sheltered industries are manufactures, a great many are. Between 1908-12 and 1924-9, the value of manufactured production increased by 71 per cent, after allowing for the rise in prices, though total production only increased by 30 per cent; manufacturing production was now a third of total production, instead of a quarter as it had been twenty years before.

Was it efficient? Estimates are difficult to make; but the most careful analysis suggests the answer, 'Not very.' Comparing the periods 1908-12 and 1924-9, we find that in Australia the average value added per employee increased only by



about 2.6 per cent, whilst the capital increased nearly 20 per cent, and horse power over 100 per cent; whereas in the United States between 1914 and 1923 an increase of only 17 per cent in horse power per employee led to 26 per cent greater output per employee.

Why the inefficiency? Opinions differed widely in 1930. Some said, 'the arbitration court'; others, 'capitalists,' and left it at that. Both answers were used as propaganda. But considering the matter seriously, one should mention the comparatively small (though increasing) amount of power used, particularly electrical power—less than half the horse power per worker employed in the United States—and the small (though growing) size of many factories. But many industries were efficient and were developing, particularly iron and steel, clothing, furniture and vehicles, including the making of motor bodies.

Unlike manufacturing and primary industry, mining was decaying. Wasting natural resources, rising costs and falling prices were the cause. Coal, silver, gold, copper, zinc, tin—it was (excepting iron) all the same story, sooner or later. To revive mining, costs had to be reduced. The same thing was necessary in manufacturing and primary industry. The tariff, high freights, high wages, high interest charges—all were a burden on Australian enterprise, a burden which could be borne easily when prices of primary products were high, not so easily once these prices began to fall. Exports had fallen in quantity, though the decline was concealed by price movements, from about £14/10/0 a head between 1910-12 to £11/10/0 a head between 1925-8 (at 1901 prices); the balance of trade was adverse; heavy overseas borrowings were necessary to pay current obligations in London. Mr. Bruce, Prime Minister from 1922-1929, no longer spoke of the great resources of Australia, which 'if brought to full development, would probably solve most of the economic problems that face the world,' nor did he reply to 'those who oppose foreign borrowing' that it was not 'possible for us to be content with an increase in our population



based upon past figures—figures which show that our percentage increase of population is the greatest in the world with the exception of New Zealand. . . . It is necessary for us to open up and populate this great continent at a very much more rapid rate.' These were the words of 1927—enthusiastic, optimistic, may one say, a trifle foolish?

By 1929 the situation had changed; Mr. Bruce now sounded a warning note. 'The prices of our staple commodities—wool and wheat—have recently declined,' he said. 'The sale of the surplus products of our other primary industries has become unprofitable, and the position of our secondary industries is becoming more and more difficult. The cumulative effect of all these things is discernible in the growth of unemployment. . . . We must take up immediately the task of setting our house in order by reducing costs of production.' Mr. Bruce had got his men, and he had got his money; but he had *not* got his markets. 'Men, money, markets'—the greatest of these was lacking, and without them costs had to be reduced.

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## CHAPTER XVII: DEPRESSION

The history of the depression of 1929-1933 is in many ways similar to that of the 'nineties. Like its great predecessor, it was ushered in by a period of acute industrial unrest, due to attempts to reduce wages. Granted that costs must be reduced, the easiest way to do so is to reduce wages. Interest payments are fixed for the short period; raw materials costs are outside the control of the business-man; the



burdens of the tariff, pervading all industry, are a matter for the government rather than the individual. But wages can be cut, though in Australia at the end of the 'twenties this involved the consent of the various Arbitration tribunals.

These institutions had had a somewhat chequered history in their quarter century existence. No longer were they regarded as the great achievement of Australia, and although they retained mass support (as was shown by the 1929 election) in some quarters faith was waning. Workers criticised them when wages were reduced, employers when they were not; for twenty-five years they had been battered by judges, by politicians, by industrialists and by workers, each in turn.

First, in the early days of the Commonwealth Court, the High Court had strictly limited its powers. It had no power to make a common rule, binding on a whole industry; its awards covered only the parties to a particular dispute. Again the Commonwealth Court only had power to intervene in an interstate dispute, and the High Court defined somewhat restrictively what an interstate dispute was.<sup>1</sup> As a result of these two limitations, there arose the confusion of dual control. Some workers in an industry would be working under a federal award, some under a state award; disputants competed between state and federal authorities for a more favourable award; disputes were manufactured in order to bring a particular industry, or part of it, under a favourable award, and so forth. Added to these drawbacks, there were defects arising from the nature of arbitration—the legal atmosphere, the delays and the costs. In all a complicated system, unsatisfactory in many ways, tending occasionally to create, if more often to assuage, industrial unrest.

Politicians had several times interfered with the working of this system. They tried to amend the constitution to gain greater powers for the Commonwealth Court in order to end

<sup>1</sup> 'Sympathetic' disputes could be dealt with by the Commonwealth Court, but they had to be 'genuine.' cf. Commonwealth Law Reports, vol. 18, p. 224, and vol. 42, pp. 538 and 552.



the overlapping between federal and state systems. But the proposed amendments were rejected in 1910, 1913, 1919, and 1926.

More important, they interfered directly to settle disputes, over-riding the Arbitration Court. For example in 1916, in a coal strike for an eight-hour day, Mr. Justice Higgins refused to consider the dispute in the Arbitration Court, unless the men would go back to work on the old conditions pending his making a new award. 'I shall certainly not go on with the arbitration with my hands tied, and my hands would be tied if the men are getting by direct action what they are asking me for,' said Mr. Justice Higgins. But Mr. Hughes, Prime Minister, wanted to end the strike; a special tribunal was appointed to settle the dispute; the men's demands were granted, and the owners permitted to compensate themselves by raising the price of coal. Mr. Justice Higgins was annoyed; subsequently he stated that he had been asked by the Government to accede to the men's demands, but had refused, for 'it would have injured the prestige and influence of the Court irretrievably.'<sup>2</sup> After the war, the Industrial Peace Act of 1921 authorised the establishment of special tribunals to determine any industrial dispute; and one such tribunal was appointed for the coal industry. Mr. Justice Higgins then resigned from the court on the ground that 'the public usefulness of the Court had been fatally injured'; for the judge believed that 'he was laying the foundation of a system of industrial jurisprudence. . . . Obedience to the rule of law as applied to conflicts between capital and labour was the primary necessity for the success of the system. Any flouting of the Court, whether by men or by the Government itself, was a blow struck at the authority of the organ upon which industrial arbitration depended, and therefore to be emphatically resented.'<sup>3</sup> In fact the coal industry tribunal did follow a policy of appeasement to the detriment

<sup>2</sup> Mr. Hughes said this was a 'deliberate and monstrous fabrication'; but whether true or not, the principle is the same.

<sup>3</sup> E. Scott: *op. cit.*, p. 676.



of the rule of law in the industry ; and in 1929 the government refused to prosecute the coal owners for a 'lock-out,' on the ground that such action would prejudice any chance of settling the dispute—that is the government preferred to try to end the 'lock-out' rather than to try to enforce the law.

This shows a difference of opinion about the function of the Arbitration Court. To the jurist, it was to create a 'new province of law and order.' The employing class was anxious to put an end to strikes ; if this could be done by the Court, well and good. To strengthen the Court they proposed penalties for breaches of awards ; though on occasions they were prepared to concede the workers' demands and to forget the penalties in order to end the strike more quickly, if this was especially desirable, if, for example, profits were high, or the commodity concerned was urgently wanted. On the other hand, the Labour party regarded the court as a means of improving the conditions of the workers,<sup>4</sup> as an *alternative* to the strike, but not as a *substitute* for it ; Labour was unwilling to give up the strike weapon altogether, and was prepared to use it, on occasions, even against the Court's award.

In 1928, awards by the Court unfavourable to the workers were made in the Timber Industry and for Waterside Workers. In both cases serious strikes occurred in protest, despite the imposition on the unions of heavy fines for breaches of the awards. Volunteer labour was employed ; riots occurred on the water-front. In Melbourne bombs were thrown. Finally the men were beaten. In 1929, in defiance of the existing award, the coal owners in Northern New South Wales locked out their employees in order to reduce wages. After fifteen months they were successful, and the mines were re-opened. But these disputes had had important political consequences.

The Nationalist (Conservative) Government, despite the

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<sup>4</sup> For the Court's effect on this see below, pp. 174-8. Incidentally, the Labour party also favoured the Court because it encouraged unionism, through the need for organisations appearing before it.



penalties of the Arbitration Act, despite the strengthening of the Crimes Act against 'picketing,' despite the use of provisions of the Immigration Act in an attempt to deport 'agitators,' had failed to prevent the strikes. In the case of the coal industry lock-out, it refused even to prosecute the mine owners. As far as the Nationalist party was concerned, the Arbitration Court was a failure; and in 1929 it proposed to abolish the Federal Court, except for maritime industries. It had failed in 1926 to amend the constitution to obtain exclusive arbitration powers for the Commonwealth; it had failed, with the powers it possessed, to prevent three disastrous disputes; so it proposed to leave all arbitration to the States. This proposal was defeated. The Labour party warned the people against the attack the Government was making on the standard of living, and on the arbitration system 'which has grown out of the misery and oppression of the workers.' This cry was heard, the Government was defeated, and the Labour party assumed office in November, 1929, just as the depression was deepening.

This slump was the product of several causes. Export prices had been slowly falling, though their catastrophic drop was yet to come; the industrial unrest had hurt trade; and overseas borrowing had almost ceased. This alone caused a direct drop of nearly £30,000,000 in the available spending power of the community, as well as a further indirect loss due to those formerly employed on public works losing their jobs. It also raised the problem of meeting Australian debts in London. For these—payments for imports, and interest payments—could only be met by London funds, derived from sales of exports or loans. Now that the latter had ceased, either the value of exports had to be increased—a difficult matter when prices were falling and costs were high—or imports had to be cut down.

The Government tried to do both. An intensive 'grow more wheat' campaign (plus a favourable season), led to a record harvest in 1930—214,000,000 bushels from 18,000,000 acres, which was almost maintained, though acre-



age was less, in the next two years. In 1931-2 wheat exports were over eighty per cent greater in volume than before the depression; butter exports more than doubled; mutton increased nearly two and a half times; sugar doubled; beef increased by a third, flour by a quarter, wool by nearly ten per cent. But all was of little avail because of the catastrophic fall in prices; in *value*, exports in 1931-2 were worth £80,000,000 sterling, or about fifty-five per cent the value in 1928-9.

So imports had to be cut drastically. Higher tariffs were imposed, then absolute prohibitions. The value of imports fell from £150,000,000 in 1928-9 to less than £50,000,000 in 1931-2, leaving a balance of £40,000,000 available to pay the interest on the overseas debt. The Scullin Labour Government hoped too that the tariff would relieve unemployment, which had risen from 6.4 per cent in 1926-7 to 10.2 per cent in 1928-9. But the onset of the depression outweighed any good effect from the tariff; unemployment continued to grow—to 19.3 per cent in 1930, 27 per cent in 1931 and 29 per cent in 1932, when nearly 300,000 breadwinners were out of work.

This in turn increased the pressure on government finance; for the unemployed had to be relieved, and no state but Queensland had a system of unemployment insurance. Governments were already in serious financial difficulties. Revenue from taxation had fallen with the decline in incomes; customs revenue fell with the decline in imports; the railways were all incurring deficits; and now the unemployed, together with the primary producer impoverished by the fall in prices, were urgently demanding relief. At the same time, large-scale loans could not be raised; Government budgets had to be balanced somehow; but the means by which this was to be done were the cause of a bitter political struggle.

The gist of the matter was this: Australia had suffered a substantial fall in her national income owing to the stopping of borrowing from overseas and the lower prices for



her exports. At first this was borne almost entirely by those put out of work by the stopping of the public works hitherto financed by over-seas loans—the unemployed, both employers and workmen, and the primary producer receiving low prices for his products. The reduction of imports also hurt the merchants and those employed in commerce and transport.

These losses were outside Australia's control. She could not raise overseas prices, or persuade people again to lend her money. What Australians could do was, first, to spread the burden of this loss as widely as possible throughout the community so that no one class of people would suffer too much—hence the slogan 'equality of sacrifice'—and, secondly, to prevent this first loss from getting any bigger on account of internal conditions.

To achieve these things, three plans were proposed. One was the orthodox policy of deflation. This involved reducing costs in Australia all round. This, it was argued, would encourage production, because with lower costs profits would be earned even from lower prices; thus the primary producer would again be set on his feet, and the unemployed put back to work. This was the policy urged, on the whole, by the conservative United Australia Party. It involved balancing the budget, for government costs had also to be reduced.

The objection to this policy was the magnitude of the deflation necessary. Overseas prices had fallen by nearly fifty per cent, so the reduction in costs would have had to be as much—a tremendous task of readjustment, as some costs are very sticky and cannot easily be reduced. The burden of overseas debt would have been made much heavier, for overseas interest payments would not be reduced. This, in turn, would have made it almost impossible to balance the budget, for even if salaries were heavily cut, some expenditure could not be reduced, and revenue from taxation would be much lower. Finally, the basis of internal credit would have been undermined; the value of securities, land, and



goods would be halved, so that all financial institutions would have been threatened with insolvency. Clearly pure deflation was impossible.

As an alternative the Labour party proposed inflation. The Government and the Commonwealth Bank, by issuing notes and granting credit, should raise internal prices again to their former level; external prices could be brought into line by raising the rate of exchange. Thus the farmer, getting say 2/- a bushel for his wheat in London, would get 3/- in Australia, if £100 sterling were made equal to £150 Australian. He would then be relieved of his loss; and rising internal prices would quickly stimulate industry and re-absorb the unemployed.

This policy had its drawbacks too. First, in practice, the amount of inflation required, and the amount by which the exchange rate would have had to be raised, would have been very large owing to the continued fall in overseas prices. Secondly, politically the Labour Government did not have a majority in the Senate, which refused to pass the legislation necessary to put this policy into practice. The Commonwealth Bank refused to issue credit, and the Government, without new legislation, could not force it. So the policy had to be abandoned.

Thirdly, there was the plan of Mr. Lang, Labour Premier of New South Wales. He proposed to reduce costs and balance budgets by cutting down interest payments. 'Repudiation,' cried the horrified Conservatives. Repudiation it certainly was; but at the same time, Mr. Lang did Australia a good service. If costs were to be cut, if there was to be equality of sacrifice, the bondholder had to bear his share. Hitherto, Conservatives had argued that the interest contract was sacred, and that only wages could be reduced. By calling attention to the interest problem, though in a somewhat brusque and startling manner, Mr. Lang to a certain extent made possible the reduction of interest achieved next year.



Mr. Lang spoke of 'Shylocks' and 'interest slavery'; the economists were more suave; they pointed out that 'when the alternatives are inflation and default, or taxation of an equal or probably greater severity, holders of fixed money-claims may find it wiser to accept a variation of their contracts, which is less onerous than taxation, and insures them against the greater loss of total default.' Conservatives and financiers were furious. Mr. Menzies, later Prime Minister, spoke of 'theft' and 'hypocrisy.' J. B. Were and Son, a leading Melbourne financial house, cried 'Public honour sacrificed,' and 'public credit ruined;' but interest was reduced, and Mr. Lang, though unpopular, did have his effect.

For finally, under the influence of leading economists, a compromise was adopted. Rates of interest were reduced—on government loans by 'conversion,' on private debts by legislation; money wages were cut by about a quarter, and the Arbitration Court reduced the 'real' basic wage by ten per cent;<sup>5</sup> economies were made in public expenditure, and taxation was increased; the exchange rate on London was raised so as to increase the price in Australian money received by the primary producer; and finally the Commonwealth Bank agreed to make available a certain amount of credit (not sufficient to cause uncontrolled inflation) to finance the government deficits still remaining, which were to be progressively reduced over three years, and to finance public works for the relief of the unemployed.

The bottom of the depression was reached in 1931-2, just after the adoption of the Premiers' Plan. Thereafter, there was a steady, though slow, recovery. By 1934-5 the real value of secondary production was greater than it had been in 1928-9 (though the population was now 300,000 greater); unemployed trade Unionists, 120,000 in 1932, numbered

<sup>5</sup> That is the value of the basic wage as measured by purchasing power, i.e., the amount of goods it would buy. Hitherto wages had only been reduced as the cost of living fell. For the full history of the 'basic' wage since 1907 see below, p. 174 ff.



87,000 in 1934 and 72,000 in 1935—or sixteen per cent of total membership, compared with a peak of twenty-nine per cent in 1932; the volume of primary production had been well maintained, and in 1933-4 higher wool prices temporarily increased its value, though even so this was, in 1934-5, only six per cent greater than in the worst year of the depression (1931-2), and was only seventy-three per cent that of 1928-9. The primary producer was still depressed; and in 1935, allowing for the increase of population, the real national income per head was still between ten and fifteen per cent lower than it had been before the depression.

Why had the depression occurred? Fundamentally, as forty years earlier, because of the catastrophic fall in the prices of Australia's products, particularly wool and wheat. This burden was increased by over-borrowing in the past and by the cessation of borrowing at the moment. Australia needed loans for her development; it was true that borrowing was necessary. But much of the borrowed money was spent foolishly and wasted; so that interest became a burden, where the loan money had not been spent on reproductive assets. Then just as Australia was getting into difficulties, borrowing ceased, at the worst possible moment; just as if a man earning £500 a year and borrowing £50 a year had the £50 stopped at the time his earnings fell to £400. This was not the fault of anyone in particular, for the world depression made it impossible for anyone to lend; but it added to Australia's difficulties.

The losses had to be spread evenly throughout the community; this was the first aim of the Premiers' Plan. But for recovery, national income had to rise—either through better prices for exports or greater employment and increased efficiency in home production. It is doubtful if the Premiers' Plan helped this very much; probably a more liberal credit and public works policy would have been better. But slowly, very slowly, overseas prices did rise, efficiency and produc-



tion increased, unemployment declined and the national income recovered.

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## CHAPTER XVIII: RECOVERY

From 1933 to the outbreak of war in 1939 recovery was steady, even if complete prosperity hid somewhat shyly around the corner. National income, £768,000,000 in 1928-9 and £528,000,000 in 1931-2, rose to £814,000,000 in 1937-8—an increase, if price variations be eliminated, of thirteen per cent in real income between 1928-9 and 1937-8, and of over twenty-five per cent since the depression. Hence despite the seven per cent increase of population between 1928 and 1938 real income per head rose slightly in the period.

Most marked was the expansion of manufactures. After the depression, imports remained at a substantially lower level than before. This was owing to the smaller income available overseas with which to purchase goods, for export prices remained low and overseas borrowing was not revived. Consequently the production of manufactured goods, hitherto imported, expanded remarkably rapidly. Between 1920 and 1929 the volume of manufactured production had increased by nearly thirty per cent; between 1929 and 1937 it increased by more than forty per cent, notwithstanding the depression up to 1933. At the same time, efficiency increased; for the numbers employed in manufacturing rose by only about twenty-five per cent between 1929 and 1939, and output per person increased by more than ten per cent between 1929 and 1937, compared with



an increase of only five per cent in the previous seventeen years.<sup>1</sup> The result was that prices could be lowered, and the excess costs of the Tariff, so heavy a burden in 1929, were reduced. In 1927, the total excess costs of all industries in Australia due to Protection were £36,000,000—£10,000,000 for primary industries and £26,000,000 for secondary industries. In 1935 they were only £30,000,000, of which those of secondary industry had fallen to £15,000,000. As the Tariff Board reported in 1936: 'The growth of Australian secondary industries is marked by an increase in the variety of goods manufactured under reasonable rates of duty rather than by an increase in the general level of protective duties. Many industries are now able to sell their products at prices little, if any, above the costs of duty-free importations from the United Kingdom; the prices of some locally-made goods are even below the costs of duty-free imports. . . . Whilst the protective effect of exchange and the greater demand for goods arising from returning prosperity have played their part in these favourable developments, the Board is pleased to report that increasing efficiency has also been an important factor.' As a result, manufacturing now played a far more important part in the Australian economy. In 1928-9, of the total value of Australian production, manufactures contributed thirty-six per cent, the pastoral industry twenty-six per cent, agriculture twenty per cent and dairying less than ten per cent. In 1938-9, the share of manufactures had risen to forty-two per cent, that of pastures, the traditional economic standby of Australia, had fallen to less than twenty per cent, that of agriculture to seventeen per cent, while that of dairying was about thirteen per cent.

The greatest and most important development was that of the iron and steel industry, by the B.H.P. Company, who not only expanded its own works at Newcastle, but amalgamated with its rival, Australian Iron and Steel, whose

<sup>1</sup> In 1928-9, 450,000 persons were employed in manufacturing; in 1931-2 only 337,000, but in 1937-8 there were 558,000.



works at Port Kembla were also extended. In 1928-9, Australian production of pig iron was 461,000 tons, of steel ingots 433,000 tons, and of steel rails 354,000 tons; in 1938-9 it was over 1,100,000 tons of both pig iron and steel ingots, and just under 1,000,000 tons of rails. During the period, notwithstanding criticism of monopoly capitalists, the Company's prices were substantially reduced, and instead of being above (as in 1930), fell considerably below those of iron and steel products in Great Britain.<sup>2</sup> Well might the Company earn a profit of £1,400,000 in 1938, for its shareholders' funds were nearly £16,000,000, and Australia possessed perhaps the most efficient steel industry in the world.

If manufacturing industry improved its position, the mining industry was little less prosperous. Prices, except of gold, fell heavily in the depression, but recovered well afterwards. The output of silver, lead, zinc and tin remained steady, and copper increased substantially between 1933 and 1938, and iron mining was naturally stimulated by the expansion of the iron and steel industry.

The only 'depressed mineral' was coal. Keen competition between firms kept prices low, and the increasing use of oil and hydro-electricity, together with economies in fuel consumption, kept the demand down. The brightest feature for the coal industry, too, was the demand of the iron and steel industry; but though output in 1939 was as high as before the depression, the industry was still depressed owing to low prices. Goldmining was stimulated by high prices; output trebled from less than 500,000 ounces, worth £1,800,000 in 1929, to over 1,500,000 ounces, worth £14,000,000, in 1938, of which two-thirds came from Western Australia, and a tenth from each of Victoria and Queensland.

The primary producer was less successful in recovering from the depression, mainly owing to extremely low prices

<sup>2</sup> Between 1929 and 1938 the Australian price of steel bars, for example, fell from £12/13/8 per ton to £10/2/8. The price in England (to which must be added freight, etc.) rose from £7/15/- to £11/9/- in the same period.



on the oversupplied world market. Consequently he frequently asked for, and obtained, government aid. The acreage under wheat declined slowly. After the record of 18,000,000 acres in 1930-1<sup>3</sup>, it quickly dropped to the more normal figure of 15,000,000 acres, and from 1934 to 1937 it was only about 12,000,000 acres; thereafter with better prices it rose to 14,000,000 again in 1938-9. Production fluctuated from the record harvest of 214,000,000 bushels in 1932-3 to 144,000,000 bushels in 1934-5, with an average for the decade of nearly 170,000,000 bushels, and the average yield was nearly twelve bushels per acre.

But the wheat-grower was not worried by yield so much as by price. In 1928, it was 5/- a bushel; in 1931 it was less than 2/6—the lowest price since the reign of Queen Elizabeth. Recovery was very slow; in 1935 it was only 3/2, and after a temporary improvement (4/2 in 1936 and 5/- in 1937) it fell back again, to 3/3 in 1938 and 2/5 in 1939. In 1934 a Royal Commission investigated the conditions of the industry. It found that only about one-fifth of the growers were producing at a cost of less than 2/9 a bushel; two-fifths had costs above 3/10 a bushel, one-fifth above 4/8! Demands for assistance proved too great for governments to resist. Between 1931 and 1935 the Commonwealth Government granted £12,500,000 to wheat growers, and State Governments wiped off the debts of many. In 1934 the Royal Commission proposed the familiar scheme of a high 'home consumption price' on wheat consumed in Australia, and this was adopted. A tax was imposed on flour (to the detriment of the wage-earner), and proceeds were distributed among the wheat farmers.

The similar schemes for butter and sugar continued, and as more and more of these products were exported, the burden on the Australian consumer due to the high home price remained, despite small price reductions in the depression. Butter production rose from 299,000,000 pounds in 1929-30 to

3 See above, pp. 157-8.



over 400,000,000 pounds ten years later, and exports doubled, rising to 200,000,000 pounds. Production of sugar increased from 530,000 tons in 1928-9 to 820,000 in 1938-9, and exports from about 200,000 tons to nearly 450,000 tons—from one-third to more than half the crop. The result was, that while exports were worth only about £8 per ton, the high home price raised the average return for the whole crop to over £15 a ton, though this is substantially less than the £20 a ton of 1929.

The wool grower was not given special assistance during the depression, except by some reduction of Federal land tax, despite a fall in the average price of wool from sixteen pence to eightpence a pound. Costs were reduced—wages, interest, land tax, freights, and the price of requisites—and after 1933 the price began to recover; it was nearly sixteen pence in 1933, and though only tenpence next year, in 1935 it was fourteen pence, and in 1936 twopence more. During the period there was remarkably little variation both in the size of the clip and the size of flocks.

But the pastoralist, if getting no direct assistance from the Australian Government, was successful in getting preference in the British market for his beef and mutton, as a result of the trade agreements made between Great Britain and the Dominions at the Ottawa Conference in 1932—agreements which represented the triumph of the long propagated idea of Imperial Preference or Empire Free Trade. These terms were not synonymous, but were used according as one was addressing Protectionists or Free Traders. Empire Free Trade was unrealisable in 1932, but as Professor Hancock remarked: "Free Trade had propaganda value, and so had Empire; a daring if dishonest combination of these two symbols offered to the champions of protection and preference a popular banner to wave before the vulgar."<sup>4</sup> So the statesmen of the Empire met at Ottawa, intending to promote intra-Empire trade, to improve Empire markets and

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<sup>4</sup> Survey of British Commonwealth Affairs, vol. II, part I, p. 212.



so to increase Empire prices and relieve the hardships of the various producers. This would be done by extended imperial preference, either 'by lowering (tariff) barriers among ourselves or by raising them against others.' The former alternative was favoured in theory, but it was the latter which was generally adopted in practice.

Imperial trade was very important for all parts of the Empire. In 1927, New Zealand sent nearly ninety per cent of her exports to the United Kingdom, Australia fifty per cent, South Africa forty-three per cent, and both India and Canada twenty-eight per cent. The Empire's share of British imports had risen from twenty to twenty-seven per cent between 1913 and 1927; in return the Empire took forty-seven per cent of Great Britain's exports in 1927, compared with only thirty-seven per cent in 1913. Could not this trade be further increased? Would political action help, in a world where all trade was so difficult? During the depression, by 1931, British trade with the Empire had fallen by nine per cent; but her trade with foreigners had fallen by twenty-nine per cent—three times as much. Perhaps this small decline in trade with the Empire might be made good—with political assistance. For the Empire was said to offer British industries 'a series of sheltered markets' which 'should provide to the British manufacturer a considerable measure of that security which the home demand of the States of the U.S.A. afforded to American manufacturers.'<sup>5</sup>

But did it? Partly. For example, in 1901 Europe and the Empire bought about the same amount per head of British goods; in 1927, the Empire bought twice as much. In 1901, South America bought more from England than did Australia and New Zealand; in 1927, the two Dominions bought more than twice as much as South America, and so on. But in particular cases the foreigner was the better purchaser. China bought more British cottons than did

<sup>5</sup> Empire Marketing Board, No. 23, McDougall: 'The Growing Dependence of British Industry upon Empire Markets,' p. 27; quoted, W. K. Hancock: *op. cit.*, p. 209.



India, for example. Australia depended on foreign (not Empire) countries to buy her wool, and Canada likewise for her wheat. So the foreigner must not be offended. That was the snag. How could one increase Empire trade and Empire preferences without hurting the foreigner who might then retaliate? 'The United Kingdom,' said Mr. Baldwin, 'is so highly industrialised that it is vital to the physical existence of her people to find adequate markets for her products, and in fact more than half her export trade is taken by foreign countries. . . . Anything tending to check the foreign exports of the United Kingdom must lessen the purchasing power of her people and so damage the markets on which the Dominions so largely depend for the consumption of their products.' With the possible exception of New Zealand, this went for the Dominions too.

Still agreements were made. The primary producers of the Dominions had hoped that 'English producers first, Empire producers second, foreign producers nowhere,' might have described the agreements; and they thought English agriculturists were of little importance. They found they were wrong; English farmers were protected; the foreigner was much better placed than 'nowhere'; but Empire primary producers did gain valuable concessions.

Dominion products, generally, were guaranteed free entry to Great Britain for five years, though 'eggs, poultry, butter, cheese and other milk products' might find a duty or quota applied after only three years. At the same time, duties on foreign goods were imposed or increased. Empire wheat now received a preference. Meat imports to Britain were regulated by quotas; and though total imports were cut down in the interests of the British farmer, imports from Australia and New Zealand would not be reduced for two years (though mutton and lamb imports might not be increased either).

As a *quid pro quo*, the Dominions, including Australia, reduced their duties on certain British manufactures which in the future would 'not exceed such a level as will give United



Kingdom producers full opportunities of reasonable competition,' though 'special consideration' was to be given in the case of industries 'not fully established.' In addition, Australia promised that her tariff would be reviewed by the Tariff Board, and revised by Parliament, and that duties on British goods would not be increased more than the Tariff Board recommended.

What was the effect of these agreements? In Australia, the tariff was reduced from the great heights erected during the depression, slowly, as the Tariff Board reviewed the various items, but fairly steadily—over 300 items by 1938. In 1934 duties on British goods were reduced by about twenty-five per cent to offset the protective effect of the Exchange rate, and this not only lowered the barrier but also markedly increased British preference. The lower manufacturing costs of the developing Australian industries enabled the Board to recommend further reductions of duty. The excess costs of protection gradually fell, particularly in the cases of secondary industries.<sup>6</sup> On the whole, British manufacturers were satisfied with the working of the Ottawa agreements.

But there were many difficulties. If Britain took practically all the Australian exports of butter, meat, sugar and wine, what of wool and wheat, of which the major part was sold to the foreigner? What was his reaction to Ottawa, and increased British preference, not to mention the prohibitive duties imposed in 1929 and 1930? It was what might have been expected—retaliation. France, Germany, Italy and Belgium all purchased less of Australian goods. Sir Henry Gullett was appointed to negotiate trade treaties. He reported that 'in no country was there absent . . . a note of grievance . . . against Australia . . . who had adopted an attitude, in a trading sense, unfriendly. . . . The attitude throughout Europe was first to exclude Australian products other than wool, and then to curtail as far as possible credits avail-

<sup>6</sup> See above, pp. 150-1.



able for Australian wool and concentrate upon scientific research for the discovery of wool substitutes.'

Australia was regarded as a bad trader; and after trade treaties were negotiated with Belgium, France, and Czechoslovakia, she became involved in a trade dispute with Japan and the United States. The cause of these disputes was imperial preference. The wool grower suffered most, for 'wool is too big a thing to be Imperial in its trade field. We must keep foreign connections as well as British, or jettison half our production. In bargaining with Britain, with the preference bait for the minor products of Australia, we are filching from the wool trade—our main support—that foreign reciprocity which is essential to its existence.'

Such was the view of the spokesmen of the wool industry. But it was not followed by the government, which instead, in May, 1936, adopted the policy of 'trade diversion.' This was partly protectionist, to foster the Australian manufacture of motor bodies, partly imperial, to increase British preference, and partly due to worry over balance of payments; it consisted of discriminatory duties, quotas and import licences directed against Japan and the United States, who were two alleged 'bad customers.' The United States *was* a bad customer; in 1934, that country bought from Australia only one-sixth what it sold to her. But Japan bought, in 1936, nearly a third of Australia's wool exports and she bought from Australia three times as much as she sold to her! Why then was Japan attacked? Because of fear for British trade; for British manufacturers were being undersold by the Japanese, and British trade relations seemed more important; at all events the policy was 'warmly appreciated in Lancashire.'

The result was disastrous for Australia. Japan cut down her wool purchases, bought from South Africa and stimulated

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7 Quoted, W. K. Hancock: *op. cit.*, p. 251.



substitutes. An agreement was made in December, 1936, seven months after 'trade diversion' had been announced. But the Japanese bought less wool; in 1937 Australian exports to Japan were only worth £6,000,000, compared with £18,000,000 in 1935-6, and imports from Japan had risen from £5,000,000 to £5,350,000. With the United States, Australia did not recover 'most favoured nation' treatment until 1938, when the discriminatory duties were removed.<sup>8</sup> In 1938 the United Kingdom and Australia issued a memorandum on trade negotiations. Both countries recognised the need of the other to develop home industries—including British agriculture and Australian manufactures; and they recognised the necessity of foreign as well as Empire trade, and the necessity of making trade agreements with foreign countries. The scheme of imperial self-sufficiency was a recognised failure.

Nevertheless, overseas trade had recovered from the depression. Exports rose from A£108,000,000 in 1931-2 to A£160,000,000 in 1936-7, though they fell to A£140,000,000 in 1938-9; imports rose from A£57,000,000 in 1931-2 to A£143,000,000 in 1937-8 and were A£128,000,000 in 1938-9. Of exports, the increase was mainly due to higher prices. Wool and butter exports varied little; mutton decreased, but beef, lamb and pork increased. In 1936-7 and the next year, wheat exports were large; but in 1938-9 were about the same as in 1934-5. During the decade 1929-1939 exports of primary products remained predominant, and contributed ninety-five per cent of total exports. Almost half were pastoral products, almost a quarter agricultural, just under one-tenth were dairy products. But manufactures were increasing; iron and steel products were sent to England in 1938, and over eight per cent of exports were manufactured goods in 1939-40 (mainly sent to New Zealand) compared with only two per cent in 1913.

<sup>8</sup> From 1936 to 1938 Australia shared with Germany the honour of being the only countries not receiving 'most favoured nation' treatment from U.S.A.



But this development, though important in providing employment and self-sufficiency, not to mention munitions in war, can easily be exaggerated. In 1939 Australia still depended on primary products for her prosperity; not so much as New Zealand, but still a great deal. A quarter of the national income came from primary production, and only twenty-two per cent from manufacturing—compared with twenty-nine and thirty per cent respectively in 1921-2.<sup>9</sup> Of the primary produce nearly half is exported. So long as this is the case, Australia must attend to her overseas markets; she cannot shut herself off from the world; for changes in the prices of her exports will have great effects on her prosperity, on the employment available for her citizens and on her standard of living.

<sup>9</sup> The remainder comes from transport, commerce, banking, the 'professions,' services, etc.

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## CHAPTER XIX: STANDARD OF LIVING

Australians have always been proud of their high standard of living, and one of their principal aims has been to protect and improve this standard. It depends on average income; or more strictly, on the size of the national income and its distribution. For income per head determines how much it is possible for each person to have and to spend, on necessities as well as luxuries; and the distribution of the income determines whether a few with high incomes will live at the expense of poverty among the masses. In fact, Australia's standard of living is one of the highest in the world. Between 1925 and 1934, the Australian real income per head of population—that is the amount of goods which every inhabitant could buy—was exceeded only by the United States, Canada,



New Zealand, Great Britain and Switzerland. Since 1934, international comparisons have not been made; but in the five years before the war (1934-9), the Australian real income per head rose by over twenty per cent, and it was then ten per cent greater than in 1929, before the depression, and seventy per cent higher than at the beginning of the century.<sup>1</sup>

Australian governments have done many things intended to preserve this standard of living. Perhaps the most important has been the policy of fixing wages by industrial tribunals. This policy does not do anything to *increase* the national income, but it does aim at distributing the available income more fairly between all classes of the community. It is represented in practice by the basic wage, and wage-fixation generally.

This basic wage comes from the famous Harvester Judgment of Mr. Justice Higgins, in the Commonwealth Arbitration Court, in 1907. In this case, the Court was asked to determine whether the wages paid by the Sunshine Harvester Works were 'fair and reasonable'; for if so, the agricultural implements made there would be exempt from excise duty.<sup>2</sup> The Court took evidence of the cost of living at the time, and declared that a 'fair and reasonable' wage for a man, with wife and about three children, was 42/- a week, though the average wage for unskilled labour being paid at the time was only about 35/- a week.

Soon afterwards the High Court declared unconstitutional the policy of the New Protection—the granting of exemption from excise duties if certain labour conditions were observed. But the idea of the basic wage remained. Mr. Justice Higgins applied it to all workers whose wages were fixed by the Commonwealth Arbitration Court, that is, those industries in which there had been disputes extending beyond one state. As a result he claimed that he raised the standard of living of these workers by twenty-seven per cent.

<sup>1</sup> Figures from Collin Clark: *Conditions of Economic Progress*.

<sup>2</sup> See above, p. 129.



During the war, when prices rose, the basic wage was slowly raised as well. After 1912, the Commonwealth Statistician published a series of retail price index numbers, showing the changes in the purchasing power of money. In 1913, these indices were adopted by the Court to measure changes in the cost of living, and wage rates were altered proportionately. The system was not perfect, for the prices of some commodities were omitted from the index used to measure the cost of living, so that their prices could vary without causing wages to be changed. Adjustments were slow. At first special application had to be made to the Court to vary the award in each particular case; but after 1922 wage rates were automatically adjusted, and in the same year an extra 3/- a week was added to the basic wage, so that current variations in the cost of living should not cause workers to receive less than the true equivalent of the basic wage.

Moreover, by this time the idea of the basic wage had been adopted by most of the State Arbitration Courts and Wages Boards. New South Wales was the first; and in February, 1914, Mr. Justice Heydon declared a basic wage for the state of 48/- a week for a man with wife and two children. At this date the Federal Basic Wage had risen to 56/6 owing to increases in the cost of living, but this provided for three children, instead of the two covered by the Heydon award. From 1919 to 1925 a Board of Trade declared the basic wage for the state—still on the basis of a man with wife and two children, and therefore usually rather lower than the Federal Wage. In Queensland, the first basic wage was declared in February, 1921, at the rate of £4/5/0 a week—or about 6/- a week higher than the current Federal wage. In South Australia, the basic wage, first declared in 1913, was much lower—48/- a week compared with 55/- a week; and even after the war, this discrepancy, though smaller, still continued. In Victoria and Tasmania, under the system of wages boards existing for each particular industry, no State basic wage was declared.

Partly owing to these variations from state to state, and partly for political reasons, a Royal Commission was ap-



pointed by the Commonwealth Government at the end of 1919 to inquire into the cost of living and the basic wage for an unskilled workman, with wife and three children. The Commission made exhaustive inquiries. It considered a five-roomed house was necessary for comfort; it concluded that an unskilled working man needed 3,500 calories of food a day; it added various sundries, and finally reported that the cost of living in Melbourne in 1920 was 116/6 per week, compared with the existing Federal basic wage of 93/- per week! To have adopted this standard would have added £93,000,000 per year to the Australian wages bill. The Commonwealth statistician said that the recorded production of the country was not enough to pay these weekly amounts to all employees. The Commission itself thought the burden on industry would be too heavy, and recommended a lower wage supplemented by child endowment. But the time for this was not yet, and nothing was done. During the 'twenties only minor alterations in the wage system were made. In 1922, as was mentioned, the Federal Wage was increased by the 'Powers 3/-.' In 1926, in New South Wales, a child endowment system was introduced, and 5/- a week was paid for each child in excess of two in a family, provided the family income was not greater than the basic wage. In 1928, another Commonwealth Royal Commission reported in favour of child endowment; but again nothing was done. Next year, the basis for the New South Wales wage was made man, wife and one child (instead of two), and the child endowments were extended to cover the extra child.

In the depression wages were reduced, not only owing to the fall in the cost of living, but in January, 1931, by an emergency ten per cent cut in real wages. This was criticised as an attack on the standard of living—a reduction of the minimum wage, hitherto regarded as sacrosanct. This was true. But national income had fallen heavily; there was no longer enough to go round at the former levels. The standard of living of a depressed community cannot be as high as that of a prosperous one. 'Equality of sacrifice' was the



slogan; and the wage-earner was added to the already hard-hit primary producer and unemployed.

As economic conditions improved, the wage cuts were restored. In 1934, the Arbitration Court restored three-fifths of the ten per cent cut, and adopted a new and more comprehensive price index for future adjustments to changes in the cost of living. In 1937, a further increase was granted. Superimposed on the existing wage, based on the cost of living and varying with it, was a 'prosperity loading,' which would not vary with the cost of living, but which could be increased or decreased according to economic conditions. In 1940, the Court was asked to grant a further increase. It refused; but before it had given judgment, the Commonwealth Government announced a general scheme of child endowment throughout Australia. This provided for payments of 5/- a week for each child, in excess of one, in the family; at this time the basis of the federal basic wage was still a family unit of four—man, wife and two children—though Judge Beeby admitted that it offered such a family only a 'meagre existence.' Child endowment, besides somewhat increasing family incomes, puts the wage-system on a more consistent and coherent footing. For obviously no minimum, living, or basic wage can be satisfactory if it is the same for a bachelor as for a man with a large family. By 1940, the state wage systems had come more into line with the Commonwealth, for New South Wales in 1937 and Victoria in 1936 adopted the Commonwealth wage as their own.

The question arises—how much have these tribunals done for the wage-earner? Have they raised the general level of wages? Some people, merely looking at the basic wage, have argued that real wages have not risen. This is not true. Looking at the basic wage alone, it was increased by the 'Powers 3/-' in 1922, and was reduced by ten per cent in 1930; most of this cut was restored in 1934, a 'prosperity loading' added in 1937, and child endowment given in 1941. In addition, there have been other benefits. Hours of work have been considerably reduced. In 1907, the average working week in Australia was over fifty hours; in 1940 it was



forty-four; between 1914 and 1940, the average working week fell by exactly ten per cent. In many industries holidays on full pay have been granted. In 1936, Chief Judge Dethridge said that 'unless an industry is finding difficulty in maintaining itself . . . the institution of paid annual leave is a very desirable boon.' Since then the Court has granted this boon wherever possible, 'subject to the economic circumstances of the industry.' In this and other ways have working conditions been improved.

Finally there is the 'secondary wage,' or payment for skilled work, at higher rates than the basic wage. These too have risen since 1907. Not only are 'margins for skill' higher today 'than a strict adjustment on a cost of living basis would warrant,' but more workers are getting them, for 'trade unions have been very successful in getting industrial tribunals to award margins to classes of workers formerly on the basic wage standard.'<sup>3</sup> Also wage rates have often been increased for work which is especially laborious, dangerous or disagreeable. Taken all round the average real wage for adult males rose by twenty per cent between 1911 and 1939, at the same time as hours of work were reduced by ten per cent. And if the percentage of the national income received by wage-earners has not increased, that is to be expected, unless one believes that all wealth is due to labour. The increased capital used in production also needs its reward, and takes its share of the national income.

Certainly the distribution of income is more even in Australia than in most countries overseas. According to the census of 1933 there were only 450 people with an income of over £5000, or one breadwinner in every five thousand; in England, allowing for the difference in population, there were more than ten times as many 'tall poppies.' Less than one in two hundred breadwinners had even £1000 income in 1933, though they took nearly six per cent of the national income. At the other end of the scale, 392,000 breadwinners had no earned income at all, corresponding roughly

<sup>3</sup> George Anderson in *Australian Standards of Living*, p. 75.



to the unemployed, and 567,000 breadwinners—assuming they stated their income correctly—had less than £1 a week, though these included nearly 300,000 minors and over 100,000 pensioners.

In the middle comes the great mass of the population. A million and a half—nearly three-quarters of the total number of breadwinners—earned less than £4 a week; but in this year, owing to the low cost of living, the basic wage was little over £3 a week. So the great mass of wage-earners, though not well off, were at least above the poverty line, and this in one of the worst years of the depression.

It is probably due to these *relatively* high wages that social services have lagged in Australia. In Great Britain, for example, there is a considerable redistribution of income by the State through taxation and social services. In 1935, Mr. Colin Clark estimated that of the £685,000,000 paid by the rich in direct and indirect taxation in Great Britain, £263,000,000 were spent on services which benefited themselves, £331,000,000 provided the cost of general administration, and £91,000,000 was transferred to the poor, by being spent on social services.

In Australia, before the war, taxation was very light. In 1937, Federal, State and local taxes took only sixteen per cent of the national income, compared with twenty-five per cent in Great Britain, twenty-three per cent in the United States, twenty-six per cent in France and thirty-one per cent in Italy. Moreover, in Australia the percentage of indirect taxation, which falls most heavily on the poorer classes, was higher than in most countries; for local rates were very small, and before the war, excise and customs duties and sales tax contributed four-fifths of the federal revenue and more than two-fifths of total Commonwealth and state taxation. Hence although income taxes fell heavily on the rich, they were much lighter than were usual overseas, and the amount of income taken from the wealthy classes for social purposes in Australia was relatively small.

Consequently social services, too, until 1940, were relatively small. The Commonwealth Government has paid a



'baby bonus' since 1912; in 1940 it was £4/10/- for each child born, provided the family income was less than £250. Invalid and old-age pensions were first granted in 1908 at the rate of 10/- a week; subsequently they rose, with some set-backs, to 27/- a week in 1944, when £21,000,000 was paid to 320,000 pensioners.

In this year a comprehensive scheme of 'social security' was adopted. A National Welfare fund was established, to which all persons with incomes over £104 contributed. From this, unemployment and sickness benefits are paid at the rate of 25/- a week for an adult, subject to a means test. At the same time, the maternity allowance was raised to £15, and the means test removed. In 1941, a system of child endowment was introduced, 5/- a week being paid to the mother of every dependent child after the first.<sup>4</sup>

Before 1940, all attempts to introduce such social security schemes had failed, and the Commonwealth had restricted its activities in the sphere of health to the promotion of research in its Serum Laboratories, its School of Public Health and Tropical Medicine at Sydney, the Australian Institute of Anatomy at Canberra, and the organisation for the control of cancer, with the Commonwealth X-ray and Radium Laboratory.

Since prevention is better than cure, these activities must be highly praised. For cure, the sick must rely on the state authorities. Most has been done for infants and children, through baby health centres and medical inspection at schools. Certainly the infantile mortality rate in Australia is the second lowest in the world. Public hospitals are maintained; but they are grossly inadequate. In Victoria, before the war, beds were available for less than 8,000 patients;<sup>5</sup> and even in New South Wales, the best equipped, only 15,000 beds were available in 1940. Total public expenditure on health services rose from £1,300,000 (6/5 a head) in 1906-7 to £4,600,000 (17/- per head) in 1921-2, to £9,000,000 (£1/7/7 per head) in 1930-1, and £16,800,000 (£2/8/- per

<sup>4</sup> In 1945 this was raised to 7/6 a week, and old-age pensions were raised to 32/6.

<sup>5</sup> This figure, of course, excludes accommodation in private hospitals.



head) in 1940-1. But more hospitals and sanatoria, better staffed and better equipped, were an urgent need in every state.

Education has had a long history, for after early neglect, schools were established in New South Wales in 1810 by the various churches assisted by state grants. But as in England, the religious question proved a stumbling block. Should education be denominational or not? While this vexed question was being decided amidst the fiercest passions, the children suffered. In 1848, 13,000 out of 25,676 children were not being educated when the 'National System' was begun, and both denominational and undenominational schools were allowed to exist side by side, both receiving a grant from the Treasury, but controlled by different boards.

Gradually the advocates of denominational schooling were defeated. In 1867 the dual system of control was abolished in New South Wales, and a single Council of Education was established, though the denominational schools still existed and were still subsidised. But in 1882, state aid to denominational schools was stopped, and the teaching became strictly secular, though this included general religious teaching as distinct from 'dogmatic and polemical theology.'

A similar system had been already established in Victoria in 1872 and in Queensland in 1876; education was 'free, secular and compulsory,' notwithstanding the charge that these schools were 'seed plots of future immorality, infidelity and lawlessness;' and soon it was provided in the other States as well.

In 1939 the school-leaving age was only fourteen. There were nearly 10,000 state primary schools, with about 800,000 pupils, while nearly 200,000 more children attend private schools. But secondary education lagged, and in 1938 only 127,000 children were receiving secondary education, or about twenty-five per cent. of those between the ages of fourteen and eighteen. The 1939 total expenditure on school education was about £12,000,000, or approximately £1/16/0 a head of population, though the average expenditure per scholar had risen to £15/12/11, compared with



£4/9/3 in 1901. But the United States of America spent nearly double this amount per head on education—nearly £3 in 1936 or a total of 2000 million dollars—and in England and Wales expenditure on education per head of population was about £2/8/0 and in New Zealand £3/6/0. In this sphere, too, there is room for great improvement.

In most progressive countries, the 'nineteenth century methods of philanthropy and charity are gradually being superseded by State action, which aims at equalising opportunities or affording security.' To improve health, to spread education, to provide for the contingencies of life—these should be our aims, in order to 'help the individual or family group to make a satisfactory adjustment to his environment . . . to provide those aids to living which make for a richer and more wholesome existence.' These are worthy aims; but Australia did not pursue them markedly before 1939. As Professor Bland pointed out, 'an informed visitor from England (in 1938) would note that the total expenditure in New South Wales from public funds is roughly half what is spent in England on social services. . . . He would scan the list in vain for any insurance service against unemployment, ill-health and old-age. He would probably be surprised to learn that until the depression we had no organised system of poor relief, such as had operated in England for three centuries; and if he could forget the code of conduct usually becoming a visitor, he might express concern at the scope and content of some of their services.'<sup>6</sup> It is true that the Australian standard of living was then high, and it was protected by the arbitration system. The result was that the wealth of the community was comparatively widely spread, and social services were therefore less necessary than in many other countries, including England; but this was assuredly just as well, for they were nothing to be proud of.

<sup>6</sup> *Social Services in Australia* (ed. W. G. K. Duncan): An "Appraisal of Results," by F. A. Bland, pp. 170-1.

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## CHAPTER XX : WORLD WAR II

At the outbreak of the second world war in 1939, just a century and a half after Phillip had landed at Port Jackson, Australia was a country with 7,000,000 inhabitants, and a national income of over £900,000,000, or about £130 per head, the sixth highest in the world. The hardships of the depression had been largely left behind, if not forgotten, for there was still too much unemployment and the price of wheat remained very low. But there had been a great advance in industry. The experiences of the slump had stimulated efficiency and output per person working had increased by 20 per cent since 1931. The price of coal was low and Australian iron and steel were the cheapest in the world. This was not only extremely important to a potential war economy, but it had helped to stimulate industrial development generally since about 1934. True, over-cautious public finance in the 'thirties had not pushed ahead 'opening up the country', and since 1929 immigration had been zero. But this meant there was plenty of 'slack' which could be taken up in the early stages of the war, so that the government could begin its economic preparations for war without imposing undue strains before people were ready for them. Some early war measures were looked at rather askance if they appeared to have any possibility of 'increasing unemployment', but at least during the period of the 'phoney war', the government could enlist a division for the A.I.F. and make its plans for its subsequent economic efforts without as yet causing any shortages or any hardships. At first there were men available for the services, for munitions, and for consumer industries too and there was power for all three. With these the problems of war-economies were relatively easy, for man-power and motive-power are the basic factors involved. As a government pamphlet put it:<sup>1</sup>

'A nation organised for total war is itself an army, and

<sup>1</sup> War Organisation of Industry: What It Is and What It Does, published by the Department, Melbourne, 1943, p. 15.



its man power must be organised accordingly. The fighting forces are only the first line of this army. In the second line are the munition workers, the men and women making war supplies of all kinds which are necessary to keep our fighting forces in the fields and to build up their striking power. Behind these is still another line—the transport and commercial workers who keep supplies moving, the farmers and the miners who produce the raw materials for war industries. But all these workers in turn have to be fed and clothed, to be kept warm and in good health. This is the last line of defence, and it includes the bread carter and the local doctor, the tram guard and the housewife.

The fundamental problem of organising man power in wartime is to ensure a proper balance in all these lines of defence. A general might lose a campaign if he kept too many men in reserve or if he put more men in the firing line than could be supplied from his base. Similarly, the war would be lost if we put too many men in the fighting forces and left too few to maintain the necessary industrial basis of modern warfare; it could also be lost if we put too few men in the fighting forces or in war industries, and had too many producing civilian amenities which can be done without in war-time.'

As time went on the drain of resources became more severe. After the fall of France, in mid-1940, recruitment for the services increased enormously. At the same time, Australia was asked to produce more and more munitions for herself and the Allies. When Japan entered the war at the end of 1941, the problems were intensified. By now there were few unemployed resources left which could be drawn into war-time use. They had already been called on. Already there had been a great increase in the employment of women. From now on, to increase war production, or the armed services, resources, including labour, had to be *transferred* from occupation to another. Civilian consumption was restricted. "I say to you quite flatly that regard will be given only to the minimum requirements of the civilian population,"



said the Prime Minister in 1942, when introducing a scheme of clothes rationing intended to reduce purchases by 25 per cent. In the case of essentials, where 'fair shares for all' were necessary and consumption was more or less uniform, a rationing scheme was reasonably effective. In many other cases, especially with luxuries, the goods simply disappeared from the shops and people had to go without. There was some grumbling, as was to be expected; but, by and large, people accepted their inconvenience as part of the price they had to pay for the war effort, even though 'austerity' became gradually more irksome, especially when it seemed that the great dangers of 1942-43 had been passed.

In a war economy, two types of economic controls can be used. First there are the traditional financial incentives—the offer of higher wages, or higher profits or subsidies for essential work. These are the easiest to impose, relying on persuasion, not coercion; but they may be slow and they are often costly. Moreover, non-essential work may be so profitable that it offers incentives of its own. As time went on it became necessary to rely on more direct methods—orders and prohibitions. More efficient, if obeyed, these may also arouse popular opposition and the cry of 'regimentation'; moreover they may be evaded. To back them up, propaganda was necessary—an explanation of the basic principles of war-time economics—what the government was trying to do and why. In this job the Australian government failed badly. Instead of a reasoned explanation, its appeals were too often simply to fear, or to 'help with the war effort' and, by 1944, such appeals were losing their force, especially as the sphere of controls widened, and more and more restrictions were imposed. Perhaps the hardest hit of all was the housewife and mother—unspectacular in their service, but deprived of all domestic help (including usually that of husband and often of friends), with most of her supplies now undelivered, often short of fuel and power, struggling with ration books, and often faced with over-crowded transport and all the personal problems of the 'seller's market'; on the other hand, be it said, they were helped by what was probably the most efficient



price-control administration of any of the belligerents, even if they were often very unwilling to recognise it as such.

Of first importance in Australia's war-time development was the expansion of industry. Despite the favourable conditions for this, the achievement was remarkable. Before the war, Australia imported the vast majority of her machine tools; after 1940 this was difficult, if not impossible. Here was a challenge to employers and employees alike, to which they responded magnificently. For the three firms that were manufacturing these tools in 1939, in 1943 there were more than 100, producing all kinds of lathes, drills, milling machines, precision grinders, presses and so forth. At the same time came the production of tradesmen's hand-tools, jigs, and gauges, electric motors and internal combustion engines, cranes, locomotives, furnaces and machinery of all kinds. Munitions of a type undreamed of swelled the list of achievements to be boasted of (and justly) by the politician and the publicist—rifles, machine guns, sub-machine guns, torpedoes, anti-tank and anti-aircraft guns, armoured cars, drugs and medical supplies, all types of optical instruments and 'almost everything in the radio and signal world.' Ship building, which had been stagnating for twenty years, showed a remarkable revival and produced virtually a new city at Whyalla, in South Australia, hitherto primarily the port of shipment for iron-ore for the Broken Hill Proprietary's steel-works.

Naturally, the war brought a tremendous expansion in steel production, for which the foundations had fortunately been so soundly laid in the 'thirties. By 1943 it was reported that there were nearly 350 different steel specifications being made and the mills were rolling 2,500 different specifications and shapes. Other metal products showed similar progress and, alongside these the chemical industry which had also expanded rapidly in the 'thirties was producing by 1945 most of the 150-odd main chemicals needed for explosives. Perhaps most striking of all was the local production of aircraft—2,500 by 1944—including in most cases (though not all) the local manufacture of the engines. More prosaic, though important and often spectacular, was the development of the older industries—textile, clothing and food-processing.



The catalogue is, on any standards, impressive but one should recall the comment of the former Deputy Director-General of the Department of War Organisation of Industry that Australia's pride in all these achievements might seem a little excessive to more mature industrial countries. "It must be taken as evidence," he remarks, "of the novelty of many of these new forms and methods of production in a country still in the midst of an industrial revolution."<sup>2</sup> The Australian, during the war, was still inclined to be a little surprised that his industry was so efficient. Australian manufacturers had doubled their output between 1919 and 1939, and the census of 1933 showed that one-third of Australian bread-winners were employed in factories and construction industries, compared with only one-fifth in primary industries. But the 'myth of open spaces' dies hard, and Australia's continued dependence on primary production for her exports tends to make the observer under-estimate the degree of the industrialisation of the country. But, even though the potentialities were present in 1939, and though the result may have seemed more surprising than it actually was, it was not achieved without effort and with that effort Australians had every right to be pleased. If Australia received help from the U.S.A., under the 'lend-lease' agreements, to the value of over £300,000,000, in return it provided 'reciprocal supplies' worth even more, including food, transport, equipment, stores, maintenance services and construction works, and was the one allied country to show a credit balance on the deal.

The most important limitations to industrial advance during the war arose from the shortage of labour and of steam power. For the latter Australia in 1940 still depended on coal, four-fifths of which came from New South Wales. Her oil was imported, and supplies had to be rationed as the war progressed, and tankers were sunk, and the Indonesian oilfields, Australia's main source of supply, were captured by the Japanese. The use of electricity was growing; but the bulk of it was generated from coal, except in Victoria and Tas-

<sup>2</sup> E. R. Walker: *The Australian Economy in War and Reconstruction* (O.U.P., 1947), p. 137.



mania. In these states, brown coal and water-power were used to a large extent but, even so, they were insufficient; and black coal was needed more and more as the war-time demands on the system increased. But coal output never caught up to the demand.

The outbreak of war found the industry very depressed. The collapse of prices after 1930, though beneficial to consumers, left all but a few collieries incapable of modernising their equipment and introducing machine-mining. Mechanisation was also resisted by the miners, among whom unemployment was so heavy and earnings so low. In 1924 New South Wales production was 11,500,000 tons; in 1937 only 10,000,000 tons. Many men had left the industry. Many were anxious to do so as soon as they could. The number employed had fallen by a third. Neither on the side of labour nor of capital was it ready or able to expand its output to meet war-time demands. On top of all, industrial relations were deplorable, with the century-long tradition of ill-will and exploitation, so recently made worse by the fifteen months lock-out of 1929-30 and the strikes of 1938 and 1940. Increased coal output was urgently needed, and it rose in New South Wales to the then record figure of 12,500,000 tons in 1942. But this was not enough. The owners blamed the men—they should work harder and cut down absenteeism and stoppages. To the men it often seemed if they were being asked only to increase the owners' profits. The entry of Soviet Russia into the war made the Communists, strong on the minefields, support the cry for more output. Even so stoppages continued. "I have never seen an industrial situation in which there is more distrust between employers and workers than on the Australian coalfields," said a visiting British miner in 1944.<sup>3</sup> "The miners seem sceptical of every move now and in the future. . . . This intransigence is pitiful." In 1942, 226,000 working days were lost in disputes; in 1944 they had risen to 600,000—*eleven* times as many, in proportion to output, as in Great Britain. The Labour government was at first sympathetic. Mr. Curtin, Prime

<sup>3</sup> Frank Collindridge, M.P.; quoted in A. G. L. Shaw and G. R. Bruns: *The Australian Coal Industry* (M.U.P., 1947), p. 154.



Minister, admitted that this situation was the product of the past. "For decades the men have had to fight for everything that has been done to improve their conditions. . . . The mining companies have not been too concerned with the humanities."<sup>4</sup> But now this was changed; "no other body of men had so much sympathetic consideration," said the *Sydney Worker*.<sup>5</sup> By the end of 1943, Mr. Curtin thought their attitude 'just intolerable', and needless to say, anti-labour opinion and much of the press had thought this long before, as restrictions on coal consumption had to be imposed.

In other industries, labour relations remained good. The long tradition of industrial arbitration and regulation stood the country in good stead, and the Commonwealth and State courts, supplemented in a few cases by special tribunals, were able to make adjustments to working conditions quite peacefully. Labour representatives sat on most important controlling and advisory bodies, even if attempts to set up a general Trade Union Advisory Panel to consider all labour affairs failed, partly owing to jealousy between the unions concerned. After December, 1941, when the Labour party took office in Canberra, relations between government and unions became still better, which was important considering how much regimentation had to be imposed in the crisis years of 1942 and 1943. The A.C.T.U. had already accepted the 'dilution' of skilled labour and the increase of women in men's jobs; in 1942 they accepted wage-pegging, or the imposition of *maximum* (as well as minimum) wage rates, in order to check undue competition for labour, which might harm the war-effort, and to prevent too great an increase in consumers' spending power; they accepted conscription for military service which they had so strongly opposed in World War I; they virtually accepted even 'industrial conscription'; though the phrase was avoided, in the various man-power regulations issued from 1942 onwards. These regulations were often unpopular; they were even described as 'serfdom'; but they followed British war-time practice,

<sup>4</sup> *Sydney Morning Herald*, 14 Oct., 1943, quoted, *ibid.*, p. 160.

<sup>5</sup> 1 Nov., 1944, quoted, *ibid.*, p. 159.



were supported by the people as a whole and were upheld by the High Court which argued that

'the generally willing subjection of the people as a whole in a time of grave national crisis to control in respect of their occupations by public authorities acting under laws authorised by the Commonwealth Parliament is not, in our opinion, properly characterised as amounting to a condition of serfdom or villeinage'.<sup>6</sup>

In this concentration on the war-effort, the farmer suffered. In 1939 he was still feeling the effects of the depression. World prices had remained low; many farms were abandoned. Despite subsidies and other assistance, and the writing off of more than £6,000,000 in 'debt adjustment', rural indebtedness had increased by over 20 per cent since 1937. Rural wages were low, hours long and living conditions often very primitive. The war first reduced the farmer's labour, which was drawn into the services or to better paid work in industry, and later it cut off his supplies of superphosphate when the Japanese captured Nauru. Added to these difficulties was the problem of marketing. Though some foods were urgently needed, either by Australia or the Allies, much primary produce was a surplus at home and could not be exported as in peace time, because of the lack of ships. Then, to cap all, a run of mediocre seasons ended with the devastating drought of 1944-45. During the war the total acreage cultivated fell by one-third, rural manpower by 20 per cent; total primary production was down by a third in 1943, and by two-thirds in the drought year of 1944. No wonder there seemed great need for rural reconstruction when the fighting should cease.

Wool perhaps came off best. In 1939 the British Government arranged to buy the whole of the surplus clip for the duration at 13½d. (Aust.) per pound. This was 3d. more than the 1938-9 price, and a little higher than the average for the preceding three years. At the time, before the post-war fortunes, this seemed a very good return, and in 1942-43 it was raised by 15 per cent to meet increased costs. Early in the war both the British and American governments took

<sup>6</sup> Quoted, E. R. Walker: *op. cit.*, p. 320.



much of the clip, but as time went on more and more went into store. Growers were most reluctant to limit production voluntarily, but drought reduced flocks from 123,000,000 in 1943-4 to 96,000,000 in 1945-6. Even so by 1945 nearly 7,000,000 bales of Australian wool were awaiting disposal. Wheat suffered more from the loss of superphosphates, the labour shortage and droughts; and in the last two years of war only about 8,000,000 acres were sown (14,000,000 in 1938-9). Yields were only 110,000,000 bushels and 53,000,000 bushels respectively, in 1943-4, and 1944-5 compared with a pre-war average of 170,000,000 bushels.

British government contracts also provided an assured market to the dairy farmers. But here pre-war labour conditions were worst, and many workers departed when better paid work became available in manufacturing industry. Herds and properties were even less cared for than before the war, when standards were very low; bad seasons and lack of fertilisers reduced output still further. Milk consumption rose rapidly, especially in the services, and after 1942 the United States forces in Australia added their quota to the demand. Butter was rationed in 1943, first at eight ounces, and then six ounces a week. The sale of cream was prohibited. Even so there was a milk shortage in the capital cities in 1944. Efforts were then made to expand production by releasing labour from the forces, and a subsidy was given to the industry. But its basic fault was its inefficiency, which little could be done to remedy until more fertilisers were available and more efforts could be made in research and education.

Thus the end of the war found farmers very short of labour and most farms rather dilapidated. The successive reports of the Rural Reconstruction Commission which appeared from 1945 to 1946 showed how great was the need for higher efficiency. Still, the farmers had done well financially. Despite some bad seasons, they had had six years of guaranteed markets at profitable prices, and many had been able to reduce their debts very considerably. But here too, as in the case of manufactures, prospects for the future seemed doubtful. Would prices fall back to pre-war levels when



European farms returned to production? Would there be another glut of primary produce? Would wool be threatened with competition from synthetic fibres? In 1945 the answers to all these questions seemed very uncertain. Memories of the great depression were still strong—and that had followed a period of prosperity and expansion in the 'twenties. It was recalled, too, that there had been a depression, though a fairly short one, after World War I. Would history repeat itself? No wonder governments, and industrialists and the general public, as well, were concerned with the question of full employment. By its charter, the members of the United Nations had promised to promote it; both British and American governments had avowed they would maintain it. Thus would the nations attack poverty and hunger. "The primary aim of our post-war economic policy," said Mr. Chifley in 1943, "must be a high and stable level of employment." But could it be maintained, when the armed forces were disbanded and war-time demands on industry ceased? Perhaps the changeover from war to peace could be more smoothly carried out if the government maintained the control over the economy that it had slowly built up during the war. Such at least was the opinion of the Labour cabinet in office at Canberra.

Throughout the war the Commonwealth government had steadily extended its control over the economic affairs of the nation. Legally it could do so, because, under the Constitution it had full powers over defence, and in war-time it was recognised that economic measures were often necessary to help defence. But it seemed more doubtful whether this would be constitutional in peace time, so in 1942 the Commonwealth asked the States to hand over for a period of five years their powers to legislate on certain subjects, so as to give the Commonwealth full control of the possible difficulties of the return to peace. At a conference in Canberra in 1942 of all the Premiers and all the Leaders of the Opposition, this was agreed; but when it came to passing the necessary legislation Tasmania refused, and Victoria, South Australia and Western Australia partially so. In 1944 a referendum was held on the question but the proposals were rejected, in



what was virtually a vote against bureaucracy and 'the manpower', aided by the fear of many Liberals that a Labour government might take the opportunity to introduce measures of socialism.

This result meant that legally the Commonwealth government at the end of the war had the same powers as at the beginning. The failure of the States to pass the agreed measure with its application limited to . . . five years was short-sighted policy', wrote one later opponent of the referendum;<sup>7</sup> 'it seems clear that the post-war plans will need the authority of constitutional powers in the hands of the Commonwealth'. But Mr. Menzies, then Opposition Leader in the Commonwealth Parliament, thought that extra powers were not necessary; and in the event he was proved right. "The Commonwealth has complete financial authority", he argued, "and there is ample machinery to enable the Commonwealth to impose its will upon the States". Certainly its power to make conditional grants to the States, the taxation power and the practical working of the Loan Council were powerful weapons in the hands of the Commonwealth. But perhaps more important in the sequel was the long-continued post-war boom, with its high prices for primary products and huge immigration and development programmes. Fears of unemployment seemed unjustified, and the problems of reconstruction though not easy were rather different from what had been expected.

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<sup>7</sup> F. A. Bland, quoted in E. R. Walker: *op. cit.*, p. 103.

READING:

- E. R. Walker: *The Australian Economy in War and Reconstruction.*  
E. R. Walker: *War Time Economics.*

## CHAPTER XXI : POST-WAR DEVELOPMENT

In 1939 Australia had entered World War II with less than 13,000 men full-time in the armed forces. In August, 1943, there was a peak strength of 633,400; two years later,



at the end of the war, there were still 554,700 men and 66,000 women serving, out of a population of 7,300,000, and a further 200,000 were engaged in 'purely war production'. The first problem facing the government in 1945 therefore was to ensure that these men and women could be re-absorbed in a peace-time economy; that done, plans would have to be made and carried out for the future, for an increase in the Australian population and for the further development of its resources.

Whatever might be the long-term prospects, there was little immediate fear of unemployment; on the contrary a labour shortage was expected. So much normal expenditure had been postponed because of the war that there would be a 'potential demand enormously greater than the volume of goods and services immediately available'. During the war, private individuals had had to postpone their purchases—whether of houses, furniture, clothing or luxuries. Now they would want to make them. Many businesses and factories had postponed making repairs and replacements, which had long been desirable. Governments had postponed all public works not immediately connected with the war. Now they wanted to improve their railways, increase power supplies, water supplies and irrigation, improve social services and build schools and hospitals. And there was a great shortage of housing, for few dwellings had been built since 1940. All these things would demand labour and materials, and they meant that men would have to be shifted to new peace-time jobs, where different types of raw materials from those used in war production would be needed. These changes must be made as smoothly as possible, and it was realised, too, that the government had an obligation to the ex-servicemen, to train them for the jobs they would be seeking and to try, not only to see that they had work, but to compensate them for some of the opportunities they had lost during the years they had been fighting for their country. So reconstruction training was provided for the professions at the universities, for skilled labour at the technical colleges and for rural work. The returned soldier was not, as so often after 1918, simply lent money to buy land, and then, saddled with debt, left to



his own devices. Vocational guidance helped 'rehabilitation'; loans on easy terms were made for housing, for those establishing businesses or going on the land and advice and assistance were given as freely as possible.

But in 1945, the rehabilitation of the serviceman, which was in fact carried out very smoothly and efficiently, was not the only problem facing the government. What was even more important was the long-term development of the country and the maintenance of full employment. The war had stressed the dangers of a small population—this must be increased by a large-scale immigration programme. Experience in the 'thirties had stressed the dangers of too great a dependence on primary production; the economy must therefore be diversified, and the war-time achievements in this direction continued and expanded. There was a spirit of utopianism in the air; social services must be developed and improved to increase the security of the common man, to banish the fear of want. But while all these things needed to be done, there were obstacles. The Commonwealth government's powers over the economic system in peace-time were limited; co-operation with the States would be necessary, therefore, and might, if experience showed anything, be difficult. There would be a shortage of labour; and labour conscious of its strength might try to gain immediate concessions by industrial action which would disturb the economy and might be unfair to other sections of the community. There would be a shortage of goods—especially of capital goods; competition for them might lead to inflation, to a rapid rise of prices and to profiteering which would again disturb the economy and injure many people.

Slowly the boom gathered its momentum, reaching a climax in 1951. It was the same old story that Australians might have heeded before—might but did not; enthusiastic development, following a period of stagnation before the war overstrained resources. Fortunately it was checked in time—at least temporarily—in 1952-3, when the government took steps to slow down expansion. And fortunately these steps were taken when external circumstances were still favourable—seasons good and world prices of primary products still



high; so re-adjustment was easier and less painful than when, as in the past, it was forced on the community by disaster. Even so, though the boom did much good in speeding up development, it also did some harm, in postponing the relief of some war-time shortages, in creating a sellers' market which often meant bad work and in inflicting some hardship on fixed income groups in the community.

Government planned development had two principal features—immigration and public works. For reviving assisted migration there were several good reasons, especially the dangers of 'emptiness', the need for labour for development, and the presence of many thousands of 'displaced persons', refugees in Europe who were willing and even anxious to seek a new home far from the scene of their persecution and hardships. By the end of 1945 the main features of the immigration policy had been laid down. It was said that judging from experience the maximum comfortable rate of population increase was about 2 per cent. per year; to try to absorb more people at once put too great a strain on the community who had to find shelter, food, homes, public services and so on for the newcomers. This meant about 140,000 people, of whom about half would come from natural increase—the excess of births over deaths. Therefore, the 'migration target' should be about 70,000 a year, 'assuming the economy was fully expanded to take the maximum number'.

This was the plan. Unfortunately it was not kept to. For a couple of years progress was slow. Shipping was not available, when so much had been sunk during the war, and so much was still being used to bring troops of all nations from all parts of the world, back to their homes. The migrants had to be selected and those from Europe tested 'politically'. But as the system got into its stride, numbers increased. In 1947 there were only 10,600, in 1948 55,000, then 300,000 in the next two years, and 200,000 in the two after, a total of 565,000 migrants from 1948 to 1952.<sup>1</sup> Of these about one-third were British, and the number of Europeans among the 'new Australians' brought a welcome variety to a population

<sup>1</sup> These figures are 'net,' i.e., arrivals less departures.



rather insular and self-centred. But the increasing numbers caused difficulties. The planned rate of population growth at 2 per cent a year was ignored. In 1954 the population passed nine million, an increase of 20 per cent since the war. It was usually argued that the migrants would relieve the labour shortage, but it was forgotten that the migrants had needs of their own. This great increase in population accentuated the shortage of houses and put strains on the public services. There was a shortage of electricity, of gas, of coal, of water in the cities; there were not enough schools or hospitals; public transport was inadequate. All these things had to be attended to while, at the same time, private business was expanding and both governments and farmers were undertaking 'rural development'. No wonder the labour shortage if anything got worse, and many wartime inconveniences remained in the economy, when every one was trying to do so many things at the same time.

Perhaps the worst was housing. Returning servicemen, newly-weds (the marriage rate was much higher than before the war), migrants—all were in search of homes. By 1952, nearly 350,000 new houses had been completed since the war, but they had not kept up with the current demand for 375,000 for the increased population (reckoning four persons to a house), and made little impression on the 'backlog' accumulated during the war.

The government railway systems had to be restored and expanded. The Victorian railways planned a great 'operation Phoenix'. New rolling-stock was needed in all states; new and better locomotives, including diesel-electrics, were needed to improve efficiency and attack road and air competition. Track maintenance which had been deferred during the war had now to be carried out. Suburban services had to be expanded to cope with the bigger city populations. A grandiose scheme was planned for the unification of railway gauges throughout Australia, but it got forgotten amid more pressing problems, for there was so much to be done on the railways.

They were handicapped by a shortage of coal and power. For seven years between 1945 and 1952, the coal shortage



was acute, until alternative cheaper and more reliable sources of power were developed. There was rationing everywhere, and the miners were able to use their strong bargaining position to indulge in an orgy of petty strikes. After the war it was hoped that the Joint Coal Board, established in 1946, would bring a 'new deal' to the industry. Government refused to 'nationalise' it, but increased its control. Amenities were to be increased. The Board would help to increase efficiency by assisting mechanisation; miners' amenities were to be improved and a special tribunal was established to try to settle the numerous labour disputes in the industry.

Slowly efficiency improved and mechanisation was increased. But industrial relations remained bad until the development of open-cut mining gave the Board a weapon to use against strikers. In 1949 it was used successfully, and the Communist-dominated miners' federation received a setback when the Arbitration Court 'froze' its funds to prevent 'strike pay' and imprisoned some of its leaders for disobeying its orders during a seven-weeks strike. By 1952, strikes were less, thanks to better working conditions and the payment of an attendance allowance. But by this time the States outside New South Wales had developed their own sources of supply. Victoria and South Australia had made plans for 'self-sufficiency in coal'—by using oil as fuel and brown coal for electricity generation and gas-making. Victoria was developing her hydro-electricity schemes, and the vast Commonwealth undertaking on the Snowy River was planned to double the country's output of electrical power, as well as irrigating much land in the Murray-Murrumbidgee valleys. By 1953 there was a surplus of coal; but it had been only won with difficulty, in so far as these enormous public works had put a great strain on the economy.

Between 1947 and 1953 the public debt rose by nearly £700,000,000, following an increase of £1,500,000,000 during the war. Post-war loans were used for development, transport, power, irrigation, housing and building. But this rapid progress strained the economy. There was a shortage of labour, a shortage of materials. In 1951 the Commonwealth government decided to call a halt. Many schemes had been



undertaken too lightheartedly. Some were uneconomic. Many, in the absence of 'priorities', were proceeding slowly, so that New South Wales for example was said to be 'littered with unfinished works', and much equipment for Yallourn in Victoria was left to grow rusty by the roadside. Through the Loan Council and the Commonwealth Bank, the government was able to impose its will on the States, despite their spokesmen's immediate vociferous protests, and later crocodile tears.

Under the Financial Agreement of 1929, the borrowings of all seven Australian governments were agreed on jointly at Loan Council meetings, and until 1950 there was little disagreement between the spokesmen for Commonwealth and States. After that, the Commonwealth became anxious to reduce the loan and works programme. In some years it succeeded with the support of two State governments. But if it was outvoted it could fall back on the Commonwealth Bank, for the States were always anxious to borrow greater amounts than could be raised by public subscription, which meant it had to be advanced by the bank; and it was the Commonwealth government alone that controlled the bank.

Before 1945 it had been managed by a Bank Board of seven, appointed by the government but then independent of it. In that year, the Board was abolished, and it was enacted that the Governor of the Bank would be responsible to the Treasurer on matters of policy. At the same time, the Bank was given greater powers of control over the private banks, and public bodies were ordered to do their banking business with it. This last point was held to be unconstitutional in 1947, whereupon the Labour Prime Minister and Treasurer, Mr. Chifley, fearing that other controls might also prove to be invalid, decided to nationalise all the banks. After lengthy litigation, the Privy Council held this, too, to be unconstitutional, as it violated the 'free trade, commerce and intercourse between the states', guaranteed by the famous section 92 of the Federal constitution. But the power of the Treasurer over the bank remained, and so did its major controls over the private banks; nor were they fundamentally altered when the newly elected Liberal Government restored



the Bank Board in 1951, for they did not restore its old independence. From 1951 to 1954 the government and the bank refused to make unlimited funds available to the States and the latter were forced to reduce their 'works' programmes. They had, perforce, to adopt some sort of 'priority', and to realise they could not do everything at once. In this way, a check was put on over-hasty development and the inflation it was causing.

Another inflationary factor was the wages and labour policy of the government and arbitration court. From 1946 to 1951, labour was in a militant mood, and a number of key unions were dominated by Communists. Unrest was widespread and stoppages frequent—stoppages which were helped by the shortage of labour and at the same time made it more acute. In 1948, after a long court hearing, backed by frequent strikes, the Commonwealth Arbitration Court granted a general forty-hour week in industry. The results were far less disastrous than many employers' complaints would suggest, for mechanisation was increasing efficiency, and the country was prosperous. But although the preference for leisure to work might be thought to be a very reasonable one, for the moment labour was scarce, and it could be argued that had hours not been reduced for another year or so, many shortages would have been more quickly met. At the same time over-time inevitably increased, and after a further series of strikes, particularly in transport, the unions gained big increases in 'penalty rates' for week-end work. This raised costs considerably, as well as increasing the purchasing power of the community, so that a further stimulus was given to the rise in prices that began to be so marked after 1948. When in 1951 the Court increased the basic wage by £1, the effect was the same, and with cost of living adjustments the wage rose from £4/16/0 in 1945, and about £7 in 1950, to £11/16/0 at the end of 1953.

Meanwhile inflation was also being stimulated by private industry. The large-scale immigration, general prosperity, and high standard of living all led to a high demand for goods and an expansion of manufactures. Investment in industry amounted to nearly £900,000,000 between 1946 and 1953,



of which about a quarter came from overseas. It was particularly marked in heavy industry—iron and steel, industrial metals, chemicals, as well as rubber, paper, textiles and clothing. Unfortunately it was these industries which were held up to the greatest extent by the shortage of coal; this and the continuing shortage of housing and inefficiency in building led to a popular catch-cry that Australia was developing a 'milk bar economy', pandering only to the satisfaction of consumers' luxury demands instead of concentrating on essential industries. This criticism was supported by singularly little evidence, despite the high reputation of those who made it, unless one wishes to argue that road transport and communications, health services, electrical generation and many foodstuffs are unnecessary luxuries, and at the same time one should remember that those luxury industries that did expand (e.g. cricket bats, musical instruments and refrigerators) had been severely checked during the war, and at any rate employed almost a negligible proportion of the community's resources. Industrial expansion generally was enormous, but while factories and plant were being built, which took time, labour and materials were being used in a way that for the time being did not increase output. However, by 1952 this phase seemed to be over.

Primary industry had expanded less, despite the complaints of other eminent economists. Remembering the experiences of the 'twenties and 'thirties, and remembering the dangers of extending farms to those 'marginal' lands of uncertain rainfall, the farmer was less enthusiastic about development than many of his critics. For a time his critics seemed right, when the prices of primary produce, especially wool, were soaring, but perhaps the farmer's caution was justified. He was able to reduce his debts, to increase his efficiency by better technique, more mechanisation and more superphosphate, and to lay something aside for the rainy day (or more accurately, for the season of drought); meanwhile the higher population was increasing home demand and reducing the surplus for export. This seemed a pity in the post-war years of world shortages, but it may prove just as well now that gluts are appearing once again in the world



market, especially in wheat. So far the world demand for wool has remained high, and the record prices of 1951 were a further cause of inflation; but the threat of synthetic fibres remains hanging over the industry, to check any excessive optimism, or the belief that record prices can last for ever. Meanwhile rural production is being helped by public works, by irrigation, electrification, rural amenities and research, especially by the C.S.I.R.O., where it can, and output is expanding; but it is playing a smaller part in the economy, and though one may regret (while the markets are good) that expansion is not more rapid, one must remember that not only have prices risen since 1939 but so have costs, wages and materials, and all that the farmer must buy for his own consumption as well as for his farm, and that in the past attempts to defy the natural limits of agricultural development have invariably met with disaster. Meanwhile, though certainly more intensive cultivation of the more fertile areas of the continent is possible, for the moment the resources needed for this may be better employed in other occupations, where rewards are higher. It is at least a *prima facie* reason for limiting agricultural expansion that people prefer such other occupations; presumably they are not all very foolish, and at least they have a right to make their own choice.

For the Australian economy is still based on free enterprise and private capitalism—unlike the authoritarian regimes overseas, and contrary to the at least semi-authoritarian wishes of the advocates of some particular panaceas (like the critics of the milk bars or the evils of the cities). Socialism, though it remains a plank of the Labour party's platform, is a very much modified plank and is hardly meant to be taken seriously. What governments (both Labour and anti-Labour) have done in Australia is to fill in the breaches which private enterprise has left in the economy, to undertake those projects which are too big for the private capitalist—such as railways, irrigation or power-generation—or to supplement an inadequate private industry, such as coal or shipping or to provide a standard of competition where there would otherwise be a monopoly, as in the case of the air-lines. Such ventures naturally expanded during the war to meet particular needs,



but there is little evidence that they have done anything but good to the economy as a whole.

Perhaps the largest 'government enterprise' is one that is often ignored as such—the provision of social services, especially health and education. In 1940, Australian social services were backward, but a comprehensive scheme of unemployment and sickness benefits was introduced in 1945 and the latter were tremendously extended by the Commonwealth medical scheme in 1953. Meanwhile the states are pressing on with school education and Commonwealth and States have combined to assist the universities.

These services, together with interest on the public debt, and the cost of defence, have kept public expenditure fairly high, but contrary to popular belief, taxation rates are considerably below those of Great Britain, and slightly less than those of the U.S.A., though of course much higher than before the war. Although rates are now higher, the system of 'uniform taxation' has simplified collection, and at the same time has further strengthened the financial power of the Commonwealth in relation to the States. During the war, when the Commonwealth wished to impose very heavy taxation to meet its war expenditure, it seemed impossible to do so because of the different levels of taxes imposed by the States, highest in Queensland, lowest in Victoria. A rate of Federal taxation, when added to State tax, which would have been fair in Victoria was too high in Queensland; and a reasonable rate there was too low in Victoria. The only solution seemed to be to abolish state income taxation. The Commonwealth imposed its very high rates and agreed to pay back a certain amount to the States provided they did not levy an income tax of their own. At first repayments amounted to what the individual states had been raising on their own account, so that during the war the former 'low tax' states, especially Victoria, got back least and so contributed a larger share to the war. After the war, the basis of repayment was changed so as to be fairer to the former 'low-tax' states. But the result has been that the states are no longer able to levy income tax on their own account; for their major source of revenue they depend on grants from the Commonwealth,



which could if it wished impose conditions other than the existing one that no state shall levy income tax. So far it has not attempted to do so, and if a government attempted to carry out an unpopular policy in this way, it might be defeated at a future election. But the threat is there, and the Commonwealth government is the stronger because of it.

However, the real basis of Commonwealth financial and economic dominance lies in its control of overseas trade, its power to impose restrictions on imports, to raise or lower the tariff, to grant subsidies to industry, and through the Commonwealth Bank to vary the exchange rate and to control the credit policy of the country—the making of loans both to private industry and to state governments. This is its major weapon in its struggle to maintain full employment on the one hand and economic stability on the other, to encourage development but to check extravagance. If its post-war record is not perfect, if some inflation was permitted between 1949 and 1952, one must remember that there were external factors at work which no government could control (such as the 'stockpiling' precipitated by the outbreak of the war in Korea) and many pressures in Australia which were difficult to combat. But at least the boom was checked in time; and if the government cannot take all the credit (for the fall in overseas wool prices and the unfavourable balance of trade for instance) its policy, though perforce delayed for political reasons until after the 1951 elections, was courageous and reasonably effective, and one may hope that that experience, plus that of overseas countries and the work of economists since 1930, may help to keep Australian development in the future free from some of the excesses and the fluctuations which it has been through in the past.

At the moment (1954), many business men argue that Australian costs and wages are too high, and they fear the effect of overseas competition, if the import restrictions, imposed temporarily in 1952 to rectify the adverse balance of trade produced by the fluctuations of wool prices, were removed. They are anxious for greater protection and have made so many requests for it to the Tariff Board, that this body has had to be doubled in size. They object, too, to the



General Agreement on Trade and Tariffs signed by Australia with many other countries at Geneva in 1947 in an effort to reduce trade barriers throughout the world. However, despite their fears, business is booming and company profits are very high. Industrial efficiency is increasing (as was very necessary in many cases), and wages are still below the levels ruling in the U.S.A. There are weaknesses in the economy, especially in transport, and the post-war run of good seasons cannot be expected to continue indefinitely. Even so, it may be hoped that in the absence of a world depression, Australia should escape any major domestic disaster.

For more than a century and a half development has gone on. To some, its story was one of a series of heroic pioneers, battling against natural difficulties, which were increased by foolish activities of governments. To others, it is a story of capitalist iniquity, of wealthy men, first of England, later of Australia, exploiting and wasting the natural resources of the country for their own benefit, and attacking at the same time the welfare of their class enemy—the working man. But both these conceptions seem to be the result of over-emphasising tendencies that exist, it is true, but which are frequently counteracted. They are simplifications, and therefore misleading; for, as has been well said, in reply to a request for the truth, pure and simple—‘the truth is rarely pure, and never simple’.

Without her pioneers, Australia would not have grown as she has done. Such is a mere truism. But if Macarthur did much to develop the wool industry, if the early squatters and miners and industrialists did much to open up the country, they did much that was foolish and selfish. To private enterprise is due not only ‘John Bull’s greatest wool-sack’, but overstocked pastures, over-planted farms, the theft, for such it was, of Crown Land, the erosion of our fields and valleys and even different railway gauges. Without government assistance, private enterprise could have done little. Transport, tariff protection, irrigation, education, even migration—apart altogether from law and order—these have been provided by governments. And if governments have made mistakes, that is to be expected, for government officials



are only human, and therefore, like all, they are fallible. And if there has been industrial strife and the exploitation of labour, here too the community has stepped in to mitigate strife, not always impartially, but now on one side and now on the other, striving as best it might to hold the balance even between contending factions.

And one may expect the story in the future to follow much the lines of the past—the further exploitation of natural resources, now including uranium and possibly oil, and helped by atomic power, in so far as climate, labour markets and technique make it possible, and the further development of manufactures. In these things both governments and private enterprise are likely to continue to co-operate. For both have an important role to play, and neither is wholly bad, as vigorous advocates so often suggest; but the advantages of individual initiative must be weighed against the disadvantages of private interest; and the advantages of public control must be weighed against the losses of official caution, routine and red-tape.

For all that, the contrast is not as great as many would have us believe. The large corporation has its red tape and its routine, and its many subordinates unwilling or unable to take responsibility for major decisions, tending to lack of enterprise and conservatism. At the same time, large corporations are showing a greater sense of responsibility towards the public interest than their predecessors—for example, B.H.P., that bugbear of 'leftists', is far more a public utility today than it was twenty-five years ago. Further progress in this direction may be achieved, though it rests mainly on education, moral as well as technical. For a greater sense of responsibility will reduce the disadvantages of private business; better training, more individual initiative will reduce the disadvantages of public enterprise, until a sense of responsibility for the general welfare may be coupled with a lack of red-tape, a striving for efficiency and progress, an attitude of courtesy and co-operation, so that business, whether private or public, may be carried on to the best common advantage.

But to achieve this, education is necessary; for little can



be done without an honest, capable and trained personnel. Timidity and shortsightedness must go; appointments on any but a merit basis are undesirable; special training is essential; research and still more research is most vital of all—and research in the too often despised social sciences. “What shall we say”, asks Professor Bland,<sup>1</sup> “to a policy which lavishes funds on scientific and industrial research, and almost entirely neglects any research into the reactions upon social life of the ever multiplying discoveries of pure science? . . . It is more wisdom we require, not only an extension of technical knowledge. The social sciences are the most difficult of all sciences, because their subject matter, human nature and conduct, is obscure and elusive in character. . . . We need a Social Science Research Bureau as an adjunct to our admirable Council for Scientific and Industrial Research. . . . We should look forward to the time when we can achieve, by a new system of distribution, what we now only indifferently attempt—the enrichment of human personality. . . . But we must not be content to have noble purposes. In the latest of the sciences to be developed we shall require not only an enlargement in the social purposes of the whole community, but also a larger and larger measure of foresight, invention and technical efficiency on the part of the specialised groups of brain workers on whom, for the most part, the execution of this social purpose will necessarily devolve. And it is in the closer communion for the future of these two great social forces—the public-spirited citizen exercising his influence and manifesting his will in public opinion, and the specialised social investigator and trained official supplying the organised knowledge and carrying out the social purposes—that our progress will depend.”

<sup>1</sup> Op. cit., pp. 201-3.

#### READING:

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*Australia in Facts and Figures*, published quarterly by the Australian News and Information Bureau of the Department of the Interior.  
 G. L. Wood, (ed.): *Australia, Its Resources and Development*.  
 H. Grattan, (ed.): *Australia (United Nations Series)*.



## CHRONOLOGICAL TABLE.

- 1893 Bank smash; economic crisis. Discovery of the Golden Mile at Kalgoorlie.
- 1894 Reid, Premier of New South Wales; establishment of an annual budget. Carruther's Land Act (N.S.W.). Beginning of the Great Drought. New Zealand Arbitration Act.
- 1895 Income and property taxes (N.S.W.).
- 1896 Wages Boards established in Victoria.
- 1897 Second Federal Convention.
- 1898 First Federation Referendum.
- 1899 Advances to Settlers Act (N.S.W.). Second Federation Referendum.
- 1900 Commonwealth of Australia Act. Old Age Pensions (N.S.W.). Queensland Factories and Shops Act, providing for Saturday half-holiday. Early Closing of Shops Act (N.S.W.).
- 1901 Old Age Pensions (Vic.). Compulsory Arbitration in Industrial Disputes in New South Wales. Commonwealth Immigration Restriction Act.
- 1902 Amending Advances to Settlers Act (N.S.W.). Farrer's 'Federation' wheat. Last year of the Great Drought. Completion of O'Connor scheme for supplying water to Kalgoorlie (W.A.).
- 1904 Commonwealth Arbitration Court established.
- 1906 Revival of assisted immigration in New South Wales.
- 1907 Sydney-Melbourne telephone opened. Revival of assisted immigration in Victoria. 'Harvester' wage decision beginning of the 'basic' wage.
- 1908 Commonwealth Old Age Pensions.
- 1909 Commonwealth Bounty on iron and steel made from Australian ore.
- 1910 North Coast Railway Act (Q'land).
- 1911 Commonwealth Bank established. Federal Land Tax imposed.
- 1912 Transcontinental Railway begun.
- 1913 Foundation stone of Canberra laid.
- 1914 Outbreak of war.
- 1915 Opening of B.H.P. steel works at Newcastle (N.S.W.).
- 1916 Purchase of steamships by Commonwealth Government.
- 1917 Transcontinental Railway completed.



- 1919 Royal Commission on the basic wage.
- 1922 Empire Settlement Act. Increase Federal basic wage by 'Powers' 3/- a week.
- 1924 Amending Commonwealth Bank Act.
- 1925 £4,000,000 agreement between Great Britain and Australia to promote migration.
- 1926 Council for Scientific and Industrial Research established. Development and Migration Commission established. Paterson butter scheme begun. Child Endowment in New South Wales. Unemployment Insurance in Queensland.
- 1928 British Economic Mission to Australia. Timber workers and waterside workers' strike. Royal Commission on National Insurance.
- 1929 Cessation of assisted migration. Abolition of Development and Migration Commission. Labour Government elected. Fall in export prices. Coal lock-out begins.
- 1930 Heavy gold exports: export prices half 1928 level, though volume of exports a record. Establishment of Commonwealth School of Tropical Medicine.
- 1931 Federal basic wage cut by 10 per cent. Depreciation of exchange between Australia and London. Suspension of New South Wales Savings Bank. Premiers' Plan adopted. Internal public debt conversion to lower interest.
- 1932 Sydney Harbour Bridge opened. Ottawa Trade Agreement. Unemployment at peak.
- 1933 Record wheat harvest.
- 1934 Partial restoration of basic wage cut.
- 1936 'Trade diversion' policy. Trade dispute with Japan and U.S.A. Victorian Housing Commission established.
- 1937 'Prosperity loading' added to Federal basic wage.
- 1938 Trade treaties with Japan and United States. National Insurance Scheme defeated.
- 1939 European war.
- 1941 Establishment of Commonwealth Child Endowment Scheme. War with Japan.
- 1942 Federal uniform taxation introduced. Food and clothing rationing.
- 1944 Defeat of referendum on the proposed increase of Commonwealth governments' post-war powers.
- 1945 End of War. Re-establishment and Employment Act. Commonwealth Banking Act.



- 1946 End of man-power control. Coal Industry Act.  
Commonwealth-State Housing agreement.
- 1947 Commonwealth Bank Nationalisation Act passed.
- 1948 Commonwealth Bank Nationalisation Act declared invalid.  
Forty-hour week introduced. General Agreement on  
Tariffs and Trade (G.A.T.T.).
- 1949 Major coal strike. International Wheat Agreement ratified.  
Commonwealth Arbitration Court empowered to super-  
vise Trade Union elections. Snowy River scheme com-  
menced.
- 1950 Dollar loan granted by International Bank.  
Increase of £1 in adult male basic wage.  
Colombo Plan agreed to.
- 1951 Record wool prices. Marked inflation.  
'Deflationary' budget.
- 1952 Import restrictions.
- 1953 Cessation of automatic cost-of-living adjustments in basic  
wage.

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